

NEWS: EUROPE

EU to move slowly over fibres accord

By Guy de Jonquieres, Business Editor

The European Union, the world's largest textiles and clothing importer, appears set to take only token steps to open its market when it starts implementing a landmark Uruguay Round accord to liberalise trade in the products from the start of next year.

Though permissible under the Uruguay Round, the approach currently favoured in Brussels was described by one European government official yesterday as "against the spirit of the Gatt."

The Uruguay Round agreement brings textiles and clothing for the first time under Gatt rules and commits the body's members to eliminate by 2006 the Multi-Fibre Arrangements, which tightly restrict the \$240bn (£154bn) annual world trade in the products.

Under the deal, countries have to subject at least 16 per cent of their textiles and clothing imports to Gatt disciplines in the next three years. This is the first of three phases in the planned dismantling of the 20-year-old MFA.

However, the Commission is proposing - with apparent backing from most EU states - to carry out this commitment in a way which would leave the range of products covered by MFA quotas virtually unchanged until 1998.

The Commission plans to do this by subjecting to Gatt rules products which are mostly exempt from MFA quotas. Many will be chosen from a list which includes items such as hats, umbrellas, car seat belts and parachutes, but excludes mass-market products such as cotton garments. The EU imported about \$61bn of textiles and clothing products in 1992, mostly from developing countries.

The World Development Movement, a Third World lobby group which has analysed the Commission propos-

als, estimates they would result in the EU lifting restrictions on only 0.1 per cent of products on which it imposes quotas. It said the EU's move was "a travesty" of the agreement to phase out the MFA.

Britain, Germany, the Netherlands and Denmark are pressing for a more liberal approach but are strongly opposed by southern European EU members, which have politically powerful textile industry lobbies.

Gatt members must submit final proposals for implementing the accord to the organisation by October 1. The US, which also has many textiles quotas, has yet to announce how it plans to meet its Gatt commitment.

But President Bill Clinton has said it will not move quickly to lift curbs, and many US textiles producers and importers believe his administration will adopt an approach similar to that of the EU.

Countries which do not remove MFA quotas will nonetheless be required by the Gatt to gradually lift ceilings on imports covered by the restrictions. Japan and Switzerland are the only industrialised countries which do not impose MFA quotas.

Though heavily influenced by domestic political motives, tough EU and US attitudes are partly intended to press developing countries to open their textiles and clothing markets. Officials in Geneva say the two trade powers are co-ordinating their efforts closely.

Under the Uruguay Round, most developing countries are required to lower the often punitive tariffs they impose on imports. However, India and Pakistan, two of the world's leading textiles exporters, have so far balked at liberalising their import regimes.

Producers in the US and Europe believe that they could sell large volumes of clothing to middle-class consumers in India and Pakistan if they had freer access to their markets.

Social Democrats' lead narrows as poll looms

By Hugh Carnegie in Stockholm

Sweden's Social Democratic Party appeared yesterday to be heading for a narrow win in tomorrow's general election, but a victory that once seemed assured has been thrown into some doubt by a steady fall in its opinion poll ratings in the past two weeks.

Yesterday, a clutch of polls indicated the balance between the opposition Social Democrats, the country's largest sin-

gle party, and prime minister Carl Bildt's four-party right-centre coalition was finely poised.

SWEDISH ELECTIONS

One poll showed the government parties leading the Social Democrats by 43.9 per cent to 40.4 per cent.

Although the coalition trailed by up to five points in three other polls, the results were enough to give Mr Bildt some hope of defying the

months-long predictions of a Social Democratic victory in the election.

With pollsters reporting as many as 16 per cent of voters still undecided, much was thought to depend on the outcome last night of a marathon three-hour television debate involving the leaders of all eight parties contesting the election.

However, a tough obstacle facing Mr Bildt in his push for a last-minute victory was the near certain return to the Rik-

dag of the Environment party, which failed to get elected in 1991.

It, as seems likely, the former communist Left party also holds its place in parliament, the present coalition would be far short of a parliamentary majority even if it outstrips the Social Democrats.

That makes Mr Ingvar Carlsson, Social Democratic leader, the continued favourite to form the next government, despite a lacklustre campaign in which he has appeared alternately

complacent, tired and afraid.

He is likely to seek an alliance with the Liberal party, at present part of Mr Bildt's coalition, to avoid being dependent on the left and the greens for a majority.

The Social Democrats held an opinion poll rating of more than 50 per cent as little as three weeks ago, but have been slipping since they unveiled a \$5.61bn package of tax increases and spending cuts to tackle the country's big budget deficit and fast-

growing government debt.

They have lost votes heavily to the Left party and to the Environment party, apparently among public sector workers anxious about the party's commitment to cut some welfare spending.

But they have also begun to lose some votes to government parties both over their plans to raise income taxes and a specific proposal to cut some benefits to parents taking time off work to look after sick children.

Heracles mixes politics with the cement

Kerin Hope on the political fallout after former prime minister Mitsotakis' indictment for bribery

The travails of Heracles Cement, Greece's leading producer and Europe's largest exporter of cement, have all the makings of a modern Greek myth.

Thursday's indictment by parliament of Mr Constantine Mitsotakis, the former conservative prime minister, on charges of taking a \$22.5m (£14.4m) bribe in the sale of the state-controlled cement producer in 1992 to Calcestruzzi of Italy, underlined the extent to which Heracles has become entangled in politics over the past decade.

Earlier this year, Mr Michalis Vranopoulos, former governor of the National Bank and the government's main negotiator in the disposal of Heracles, was assassinated by November 17, a Greek terrorist group, for his part in the sale.

The privatisation of Heracles has proved just as controversial as its nationalisation in 1983 by Greece's first socialist government. At that time, Mr George Tsatos, the company's chief executive, fled Greece together with other family members on the board of directors to avoid facing charges of criminal fraud that in theory carried the death penalty. Most charges were dropped.

Now Mr Mitsotakis, an opposition backbencher, faces trial by a special criminal court. Two other conservative former cabinet ministers involved in the Heracles disposal, Mr Andreas Andrianopoulos and Mr Ioannis Paleocrassas, were also indicted by parliament, on

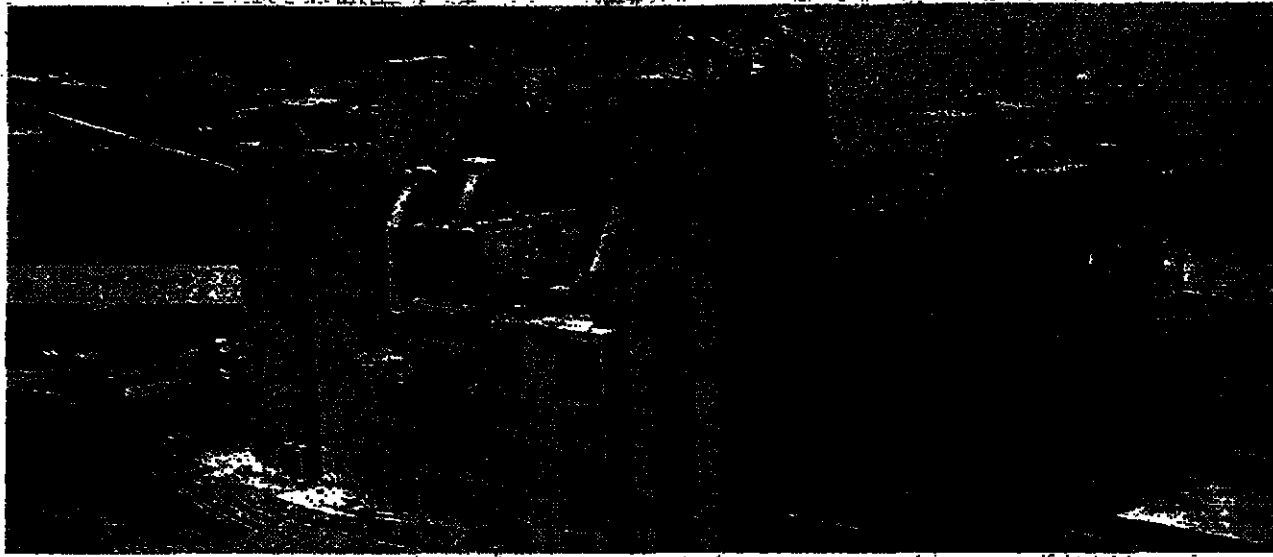


Mitsotakis: bribe charge

breach of trust charges, and will be tried at the same time.

Mr Andrianopoulos, who as industry minister was the conservative government's keenest exponent of privatisation, said yesterday: "The whole procedure of the parliamentary inquiry has been absurd. This is enough to drive me out of politics."

On the Athens stock exchange, shares in Heracles, depressed by a prolonged recession in the Greek construction industry, picked up 1 per cent as the indictment procedure neared completion. Nor have the company's results been affected by political wrangling. Last year Heracles posted a 4.2 per cent increase



One of Heracles' main cement factories: the group is also involved in coal marketing, packaging, quarrying and plant erection

in pre-tax profits last year to Dr7.3bn (£19.8m), while turnover was up by 1.7 per cent to Dr7.1bn.

It retains a share of around 42 per cent in Greece's increasingly competitive cement market.

The conservatives' view is that Heracles has become a political football as the governing socialists seek revenge on Mr Mitsotakis for bringing Mr Andreas Papandreu, then the opposition leader, to trial in 1991 on corruption charges connected with the \$200m (£128m) Bank of Crete embezzlement scandal.

Mr Andrianopoulos rejects an allegation accompanying the indictment that Heracles was sold too cheaply, pointing out that at \$22m, the price was at the high end of a series of valuations carried out by Morgan Stanley, the invest-

ment bank acting as the government's adviser in the sale.

Mr Mitsotakis and his conservative colleagues were also held responsible by the parliamentary committee investigating the sale for the disappearance of a number of paintings, part of Heracles' large collection of modern Greek art, from the boardroom suite.

Yet whatever the shortcomings of the sale, the Greek state managed to hold on to a substantial stake in the company, as Calcestruzzi formed a joint venture with the state-controlled National Bank of Greece, Cal-Nat, in order to acquire Heracles, in which the bank holds a 68 per cent share.

Heracles, founded by the Tsatos family before the first world war, expanded rapidly in the late 1970s, opening a second cement quarry and a deep

water port on the island of Euboea and increasing its fleet of bulk carriers to help boost exports to the Middle East and North Africa.

But the company borrowed heavily to finance its new investments, while profit margins were shrinking. By the time the Socialists decided to nationalise Heracles, its share capital to debt ratio was 1 to 15.

Moreover, the Tsatos family controlled only 20 per cent of the shares, against 35 per cent for National Bank. A total of Dr27m in debt was converted to equity, diluting the Tsatos holdings still further, and new management was appointed by the government.

By the late 1980s, however, Heracles was making sizeable profits again. As the largest and one of only a few healthy

companies in the conservative privatisation portfolio, it was an attractive buy.

One local analyst said: "Calcestruzzi needed a cement supply to back up its ready-mix and construction equipment leasing business. It had coveted Heracles for some time, building up a shareholding from the free float well before the company was put up for sale."

However, Heracles did not escape being drawn into the Ferruzzi group's own political troubles, through a series of allegations that the Greek company was used as a channel for pay-offs made to Italian politicians.

Italian magistrates have been in touch with the Greek judiciary over this and have questioned several Ferruzzi officials.

FT EXPORTER



FT EXPORTER: Autumn Issue - October 5th

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Derek van Tienen

Tel: +44 (0) 71 873 4882

Sally Beynon

Fax: +44 (0) 71 873 4610

Poles clash over price of success

Christopher Bobinski on the wrangling over rising money supply

Poland's steep growth curve coupled with inflows of foreign capital has the country's economic managers straining to catch their breath and has led the government and the NBP, the central bank, into an unprecedented public clash over how best to deal with the resulting increases in the money supply.

The row comes in the wake of government suggestions that the bank should be given an advisory council nominated by politicians. The bank's redoubtable chairman, Ms Hanna Gronkiewicz-Waltz, fears that this will lead to a curtailing of the NBP's independence. The government would also like to see the bank's supervisory functions hired off into a separate independent body.

Matters came to a head earlier this week when the NBP, concerned about the growth in reserves, slowed the rate at which the zloty is devalued each month to keep exports competitive from 1.5 to 1.5 per cent.

The move would have to wait, however, until the deputy premier in charge of the economy and finance minister, as the bank failed to make the 1 per cent cut in its 33 per cent refinancing rate the government wants to see to lower the



Kolodko: angered over slowing of zloty devaluation

cost of servicing the public debt.

The protagonists later publicly traded arguments in parliament, with the government charging that the bank had exceeded its prerogatives when it took the devaluation decision without getting treasury agreement. Ms Gronkiewicz-Waltz replied that inflationary pressures meant action had to be taken quickly and interest rates cut.

President Lech Walesa, who nominated Ms Gronkiewicz-Waltz to the Central Bank, has also weighed in. "I'm not an economic expert but I think it is Ms Gronkiewicz-Waltz who is in the right," he said.

The statement adds a political dimension. The present government, elected last year, is a coalition of the former communist SLD and the PSL Farmers Party, once allied to the communists. The president, who shares a Solidarity background with Ms Gronkiewicz-Waltz, faces an election next autumn. "I hope that we are dealing with nothing other than a dispute about economics," said Mr Kolodko in parliament on Thursday, hinting that opposition to interest rate cuts could be aimed at slowing growth.

Indeed the coalition desperately needs growth to continue keeping the budget deficit within the tight parameters pledged to the IMF in return for a \$200m (£51m) standby agreement. Equally important for the coalition is the need to bolster its support ahead of the presidential election.

Happily for the moment the economy is set to grow by 4.5 per cent this year, with industrial output up by 12.8 per cent in the first eight months. Also money flows and indicators are all on target, which shows that both the treasury and the NBP are within IMF guidelines.

However, foreign reserves have grown faster than expected to around \$11bn because of receipts from cross-border trade and growing foreign trade. Exports in the first half of the year are up by 15 per cent to \$7.7bn, with imports in the same period actually falling by 1.4 per cent to \$9.5bn compared to the same period last year.

This performance owes much to the recovery in neighbouring Germany - which accounts for a third of Polish sales abroad - and to the German shopping in Poland. The reserves have also been boosted by traders and tourists from the former Soviet Union buying consumer goods to sell at a profit at home.

It is the swelling reserves and mounting corporate bank balances from growing sales and productivity gains that are causing the NBP concern and have provoked the stalemate on interest rates.

Western bankers, who have just signed an accord cutting Poland's \$14bn commercial debt by almost half, remain sanguine. Ironically as the country struggles with the effects of growing capital inflows, the deal which reduces Poland's overall indebtedness to \$38bn should lead to foreign investment worth an additional \$1bn a year.

Reinsurance row grows with talk of legal action

By Guy de Jonquieres

NCM, the Dutch company which is Britain's largest short-term export credit insurer, is considering legal action over the European Commission's plans to tighten curbs on government subsidies to export finance.

The possible action is the latest twist in a UK campaign to secure changes in the proposed regulations, which, it is feared, would unfairly penalise British credit insurers and exporters.

Mr Colin Foxall, NCM's managing director, has written to Mr Karel Van Miert, the European competition commissioner, saying that part of the draft EU regulations on short-term credit insurance could give rise to a legal challenge.

NCM is concerned by the assertion that UK government financing of a small part of the country's reinsurance exposure constitutes a state aid and is therefore anti-competitive. Britain and NCM have insisted that the

financing, through the Export Credit Guarantee Department, is available purely on a contingency basis to cushion against the risk of sudden shortages of reinsurance capacity.

The government also argues that the UK's reforms of its reinsurance market have brought it closer than any other EU member to the free-market operation which the commission's proposed rules are intended to encourage.

The UK says the current proposals could lead either to the complete withdrawal of government support, threatening the stability of the reinsurance market, or could increase the scope for government subsidy.

Mr Van Miert is sympathetic to these arguments. He agreed last July to delay publication of the final rules until this autumn while the commission tried to accommodate the UK's objections.

However, it is understood the commission is still not prepared to do more than offer the UK a waiver from the rules until 1997.

THE FINANCIAL TIMES
Published by The Financial Times
(Europe) GmbH, Nibelungenplatz
60318 Frankfurt am Main, Germany.
Telephone +49 69 156 850, Fax +49
69 594461. Telex 46193. Registered
in Frankfurt by J. Walter Brand, WGB
Hans J. Brand, Colin A. Kennard as
Geschäftsführer and in London by
David C.M. Bell and Alan C. Miller.
Printer: DVM Druck-Vertrieb und
Marketing GmbH, Adenau-Rosemühl-
Strasse 34, 63263 Neu-Isenburg (owned
by Hiltner International). ISSN: ISSN
0147-7323. Responsible Editor: Richard
Lambert, of The Financial Times Limited,
Number One Southwark Bridge,
London SE1 9HL, UK. Shareholders of
the Financial Times (Europe) GmbH
are: The Financial Times (Europe) Ltd,
London and F.T. Germany Advertis-
ing Ltd, London. Sole agent for the
above mentioned two companies is: The
Financial Times Limited, Number One
Southwark Bridge, London SE1 9HL.
The Company is incorporated under the
laws of England and Wales. Chairman:
D.C.M. Bell.

FRANCE: Publishing Director: P.
Good, 168 Rue de Rivoli, F-75004 Paris.
Cedex 01. Telephone (01) 4297-0621.
Fax (01) 4297-0629. Printer: S.A. Nord
Est, 18721 Rue de Caen, F-93100.
Roubaix Cedex 1. Editor: Richard Lam-
bert. ISSN: ISSN 1148-2733. Commis-
sion Paritaire No 676082.
DENMARK: Financial Times (Scandi-
navia) Ltd, Vimmelskållevej 42A,
DK-1161 Copenhagen. Telephone 33
13 44 41, Fax 33 93 55 35.

INTERNATIONAL NEWS DIGEST

Japanese chip market opening

The office of US trade representative Mickey Kantor revealed that foreign manufacturers accounted for a record 21.9 per cent of the Japan's computer chip market in the second quarter after 20.7 per cent in the first. This marked the third straight quarter that the foreign share of Japan's semiconductor market topped 20 per cent - the level set as a goal in the controversial US-Japan microchip pact. In 1993, foreign companies accounted for 19.4 per cent of the \$24.7bn (£15.9bn) market for microchips, used in everything from cars and computers to high-tech toys. The quarterly semiconductor data are closely watched as one barometer of fragile US-Japan ties. Mr Kantor welcomed the rise in foreign chip sales in Japan, but warned against complacency. The report came as Tokyo reported that although Japan's vast trade surplus shrank sharply in August, its surplus with the US rose to \$3.48bn from \$3.42bn a year earlier. *Reuters, Washington*

Move on S Africa exports

South Africa has announced plans to restructure its controversial R2bn (£285m) a year General Export Incentive Scheme from next April and will scrap it completely by the end of 1997. Under the new cabinet-approved plan, all subsidies currently paid out to exporters under GEIS will be phased out over three years. The planned cuts are broadly in line with recommendations by the National Economic Forum, a tripartite group incorporating representatives from business, government and labour, but have been strongly opposed by the paper and iron and steel industries. The moves follow tariff cuts on various imported goods announced last month and are part of a sustained effort by the government to increase the competitiveness of local industry. GEIS was introduced five years ago as part of a programme to wean South Africa from its overdependence on primary commodity exports by offering a wide range of subsidies for the export of manufactured goods. *Mark Suzman, Johannesburg*

Spain may ease bond curbs

The Bank of Spain said yesterday it was studying a relaxation of its strict accounting regulations on bond portfolio provisioning by domestic financial institutions, in a move that should sharply increase home demand for government paper. Pressure for easier rulings has come from both the domestic banks, which have suffered losses in their trading operations this year, and from the treasury, which is becoming concerned over net medium- and long-term bond sales by non-residents. Government paper held by Spanish banks in active trading portfolios currently has to be marked to market on a monthly basis and losses must be fully provided. The regulations are less aggressive for bonds held in investment portfolios but are also considered to be more stringent than those imposed by other central banks. *Tom Burns, Madrid*

French ministry waste criticised

A confidential report by an independent Court of Auditors has criticised the French foreign ministry for waste, bad accounting and steeply rising costs. However, the foreign minister, Mr Alain Juppé, maintained that the report referred to the period before his appointment, blaming his Socialist predecessor. The report, leaked to the weekly magazine *L'Express*, said the costs of official travel and the receipt of visiting VIPs by the French president and prime minister soared from FF81.5m (£9.8m) in 1987 to FF291m in 1991 before falling to FF185m in 1992. In its defence, the foreign ministry said that while these costs were part of its budget, it had no control over travel by the president or the prime minister. The report concluded that large amounts of cash were unaccounted for, and that the ministry had no central supervision or computer records of payments. *Reuters, Paris*

West snubs Russian proposals

A widening gap between Russia and the west over security structures in Europe was left unbridged by talks in Prague yesterday intended to prepare for the December summit of the Conference on Security and Co-operation in Europe (CSCE). Russia wants to establish a 10-nation CSCE steering committee modelled on the UN Security Council, able to issue mandates for peace-keeping operations. At the Prague meeting of senior officials from the 33 CSCE member states, most western officials flatly rejected the Russian proposals on the grounds that they would diminish the status of Nato. In a separate dispute, Russia wants maximum freedom of action for its military activities in the southern republics of the former Soviet Union, while western countries are reluctant to give Moscow carte blanche. *Bruce Clark, Defence Correspondent*

Ukraine delays N-treaty vote

Striking a blow to US nuclear disarmament efforts, Ukraine will not accede to the Non-Proliferation Treaty (NPT) this year, said the country's parliamentary chairman, Mr Alexander Moroz. He indicated a vote would not come until January, adding: "We cannot be indifferent to the NPT's shortcomings." Ukraine has been pressed by the West formally to declare itself a non-nuclear state under NPT, and President Leonid Kuchma was expected to ask parliament to vote on the treaty next month. But Mr Moroz's opposition makes that unlikely. Ukrainian leaders complain that the US has delivered less than \$10m (£6.4m) of \$500m promised for dismantlement as part of a January agreement to deploy Ukraine's nuclear arsenal to Russia. They say the US keeps moving the target for smooth relations and economic aid from the January agreement to the NPT. *Matthew Kaminski, Kiev*

Hope for Peru bank debt talks

Creditors to commercial banks in Peru are set to re-open formal negotiations regarding the restructuring of \$7bn of commercial bank debt, a senior banker said yesterday. Mr William Rhodes, vice-chairman of Citibank, which heads the country's bank advisory committee, is to meet Peru's minister of the economy around the time of the International Monetary Fund's Madrid meeting early next month. The way for reopening talks has been cleared by a recommendation from a Peruvian congressional committee this week that loans made by two US banks - American Express and Chemical Bank - should be recognised. Peru's Congress is expected to discuss the recommendation on the loans next week, and the committee's view is expected to have a strong bearing on the decision. The two banks claim some \$36m, as well as perhaps twice that amount in unpaid interest. The loans were repudiated by the 1985-90 government of Mr Alan Garcia. *Stephen Fidler, Latin America Editor*

US blocks extradition

A US federal judge blocked the extradition of an escaped Irish Nationalist and ordered his immediate release. James Joseph Smyth escaped from Northern Ireland's Maze prison in 1983, during the biggest jailbreak in British history. US District Judge Barbara Caulfield rejected the extradition request after finding that Smyth would be punished on the basis of his political opinions if returned to Northern Ireland. Smyth, 40, was released without bail. Federal prosecutors representing the British government are expected to appeal against the decision. *Reuters, San Francisco*

CEPA Indonesian power deal

Consolidated Electric Power Asia, a unit of Hong Kong's Hopewell Holdings, signed a 30-year agreement to sell electricity from a planned \$2bn power plant project to Indonesia's state-owned electricity company, Perusahaan Umum Listrik. CEPA plans to build, own and operate two 600MW coal-fired generator plants on the north coast of Java, due to come on stream by 1996. PLN agreed to buy electricity from Panjulang Puri at \$7.665 per kW/hour for the first six years, \$7.385 for the six years following that and \$5.988 for the next 18 years. *Manuela Saragosa, Jakarta*

Subtle media manipulation has helped to boost Cardoso, the favourite in Brazil's election

The candidate and the TV magnate

Angus Foster looks at a real-life election 'novela' that is prompting complaints from opposition

Brazilian TV, better known for screening scantily clad women, is running a strange commercial. Paid for by one of the country's largest construction companies, the advertisement talks of the need for improvements in education and advises viewers to elect a president in next month's elections who "knows how to teach".

The commercial seems a clear attempt to lift support for Mr Fernando Henrique Cardoso, the former finance minister and government candidate. Mr Cardoso was a university professor while his rival, the left-wing Mr Luiz Inácio Lula da Silva, barely finished high school and has a slight lisp, which is the target of middle-class derision.

Such support for Mr Cardoso from business and the media has helped consolidate his lead in opinion polls and led to complaints from Mr da Silva that the elections are no longer fair. The claim seemed to gain weight when Mr Rubens Ricupero was forced to resign as Brazil's finance minister earlier this month after remarks he made in a private interview were broadcast by mistake.

Mr Ricupero let slip that TV Globo, which is sometimes watched by half the country's 157m people, was using him regularly on programmes as a way of supporting Mr Cardoso. Globo's owner, Mr Roberto Marinho, has not concealed his support for Mr Cardoso, nor his unease with Mr da Silva.

Mr Ricupero's indiscretion is embarrassing for Globo, espe-

cially since the station wanted to regain credibility lost when, in 1989, it helped elect former president Fernando Collor, who later resigned amid corruption charges.

Mr Cardoso's extraordinary rise in the polls, from about 20 per cent in June to more than double that figure today, would not have been possible without the Real, Brazil's new currency launched on July 1. Mr Cardoso planned the new currency when he was finance minister before Mr Ricupero. Monthly

'These elections are not as free and fair as we would like'

Inflation fell from 50 per cent to 5 per cent, giving poorer wage earners an apparent increase in purchasing power.

Mr Cardoso has also benefited from the optimism which has swept Brazil since the currency's launch. This is partly a reaction to 10 years of economic and political bad news. But it has also been manipulated by the media, in a country where only 30 per cent of Brazilians complete eight years of primary school, and where in some states illiteracy is above 40 per cent.

TV Globo has been scrupu-

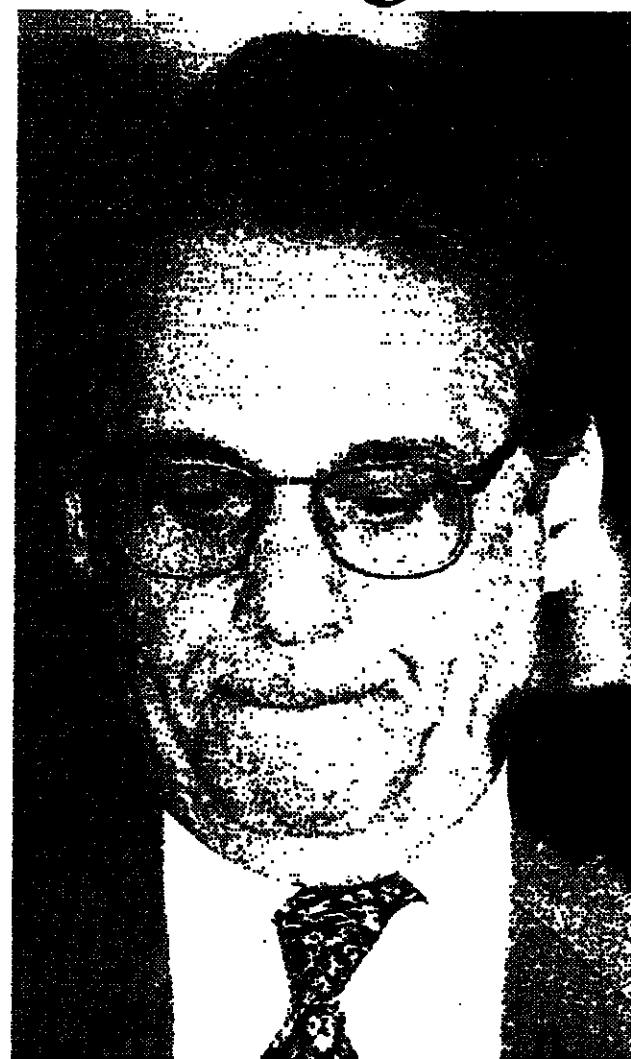
lously fair in the time it gives each of the main candidates in its evening news broadcasts. But the station then fills the rest of its reports with feel-good news stories about the success of the Real, thereby lifting Mr Cardoso's credibility.

After the news comes the TV "novela", or soap opera. Novelas are extremely popular in Brazil and play an important political role. Globo launched a new novela in July to coincide with the election. Called "Minha Patria" or "My Country", it is an upbeat tale of success and love in a Brazil with a future. This is in sharp contrast to the highly critical vision of Brazil which Globo ran ahead of the 1989 elections, when its candidate, Mr Collor, was campaigning for change.

The support for Mr Cardoso has prompted complaints from Mr da Silva's Workers' party, the PT. Pointing out that Mr Cardoso is supported by the government, most businessmen and the media, Mr da Silva said recently: "These elections are not as free and fair as we would like."

The PT complains that media ownership is too closely concentrated in the hands of too few, largely right-wing, people. According to some estimates, nine families - of which Mr Marinho's is the most important - own 68 of Brazil's 71 TV concessions.

But if Mr Cardoso wins the elections as expected, the PT is unlikely to succeed in its efforts to widen media ownership. Mr Cardoso's main



Cardoso: backing from business and the media

backer, Mr Antonio Carlos Magalhães, owns the TV Globo franchise in his home state of Bahia, as well as several radio

licences. He and other of Mr Cardoso's supporters are unlikely to welcome moves to break their monopoly.

Rightwinger wants role for army

"My name is Enéas" is a strange political slogan, but Enéas Carneiro is no conventional politician. Seen by most Brazilians as an unbalanced and slightly ridiculous rightwinger with a short temper, "Enéas" - as he is known - attracted 300,000 votes in the 1989 election. This time he will pass the 1m mark, according to opinion polls which give him 4 per cent of the vote.

His Party for the Re-edification of National Order (Prona) is campaigning for a strong and nationalist Brazil, a clampdown on corruption and the purging of all sex from prime-time TV. Enéas, a former army heart specialist, is said to favour a leading role for Brazil's military. When the Financial Times requested an interview to verify these reports, an adviser said: "We don't need the press, especially not the foreign press."

Enéas is a Brazilian cross between Ross Perot and Vladimir Zhirinovskiy. Prona seems to have support from a small cross-section of Brazilians, some of them profoundly disillusioned with existing politicians and the country's corruption scandals, others who hark back to a "golden age" of stability under the military from 1964 to 1985. At the recent launch of the party's programme in São Paulo, most of the several hundred supporters who attended were well-dressed, young to middle-aged apparently conventional people who queued quietly to meet their leader.

Compromise reached in Brazil car industry strike

By Angus Foster in São Paulo

Brazil's car workers are likely to return to work next week after reaching a compromise with the government and manufacturers over an 11.9 per cent pay claim.

The main unions, which went on strike on Monday, bringing Brazil's important car industry near to a standstill, are to decide at meetings at the

weekend whether to return to work. But union leaders and manufacturers' representatives are hopeful the dispute is over, and some people returned to work yesterday.

The breakthrough came when the government withdrew from negotiations and said that it would not stand in the way of a one-off pay rise, as long as the increase was not passed on to customers in

the form of higher prices.

The government is trying to protect its new currency, the Real, from inflation, and argues that car makers can afford to pay for the increase from recent productivity gains, instead of by pushing up prices.

The deal could lead to demands for pay rises from other unions. According to rules issued at the time of the

Real's launch, pay rises can only be granted during each union's annual pay round. Since the pay round for the main car unions was not scheduled until April, other workers may now push to speed their claims.

A widespread round of wage increases could weaken the Real, since it would be likely to add to consumer demand. Some economists say demand

is already rising too quickly because of the rapid fall in inflation following the Real's introduction in July.

The strike, which has so far led to lost production of 18,000 vehicles, mainly at Volkswagen, Ford and Mercedes-Benz, seems to have had no effect on the standing of either of the main candidates for next month's presidential election.

The government had claimed

the strike was politically aimed to undermine its candidate, former finance minister Mr Fernando Henrique Cardoso.

According to a Gallup poll released yesterday, Mr Cardoso remains favourite to win the October 3 race with 43 per cent of the vote.

His closest rival, Mr Luiz Inácio Lula da Silva of the left-wing Workers party, had 22 per cent.

Havana sees crack in sanctions

Cuba to follow up immigration accord with US

By Pascal Fletcher in Havana

Cuba is quietly intensifying diplomatic efforts to widen what it perceives as a crack in US sanctions following an immigration accord reached a week ago with Washington.

"The accord in itself is a blow to the US policy of blockade," Cuba's chief negotiator at the immigration talks, Mr Ricardo Alarcon, said on Cuban television on Thursday night.

Mr Alarcon, president of the island's National Assembly, said the September 9 immigration agreement, which aimed to halt an exodus of illegal refugees fleeing Cuba by sea to the US, showed the US and Cuba could develop a normal relationship in at least one area: immigration.

Mr Alarcon said the US had encouraged illegal immigration by Cubans in the past to try to destabilise President Fidel Castro's government, but had now agreed to work with Cuba to stop illegal departures, including air and sea hijacks.

Outlining what else the Cuban government felt it had gained from the talks, Mr Alarcon said they had generated a groundswell of opinion in the US calling for a re-think of US policy towards Cuba and renewed dialogue.

He cited editorials to this effect published by leading US newspapers and public comments by senior congressmen such as Lee Hamilton, President of the foreign relations committee of the House of Representatives.

Senior US administration officials, however, had repeatedly stressed the talks would deal with the immigration problem and nothing else. But the Cuban government, which says its conflict with the US cannot be solved if the lifting of the US trade embargo is not discussed, is clearly hoping to capitalise on the publicity generated by the talks to keep attention focused on the embargo issue.

Mr Alarcon said a fundamental point of disagreement had been the US failure to lift additional sanctions on Cuba imposed by US President Bill

Clinton on August 20. These placed restrictions on hard currency remittances sent by Cuban-Americans in the US to relatives in Cuba, as well as reducing flights between the two countries and visits by family members.

Mr Alarcon said these latest sanctions were intended to appease the right-wing sector of the Cuban exile community in Miami, which strongly opposed any direct dialogue. But the measures were hurting Cuban-Americans in the US as much as Cubans on the island, he said.

Although the outcome of the immigration talks had been encouraging, Mr Alarcon made clear he did not consider that

The Cuban government is hoping to keep attention focused on the embargo issue

an end to the US-Cuban dispute was imminent.

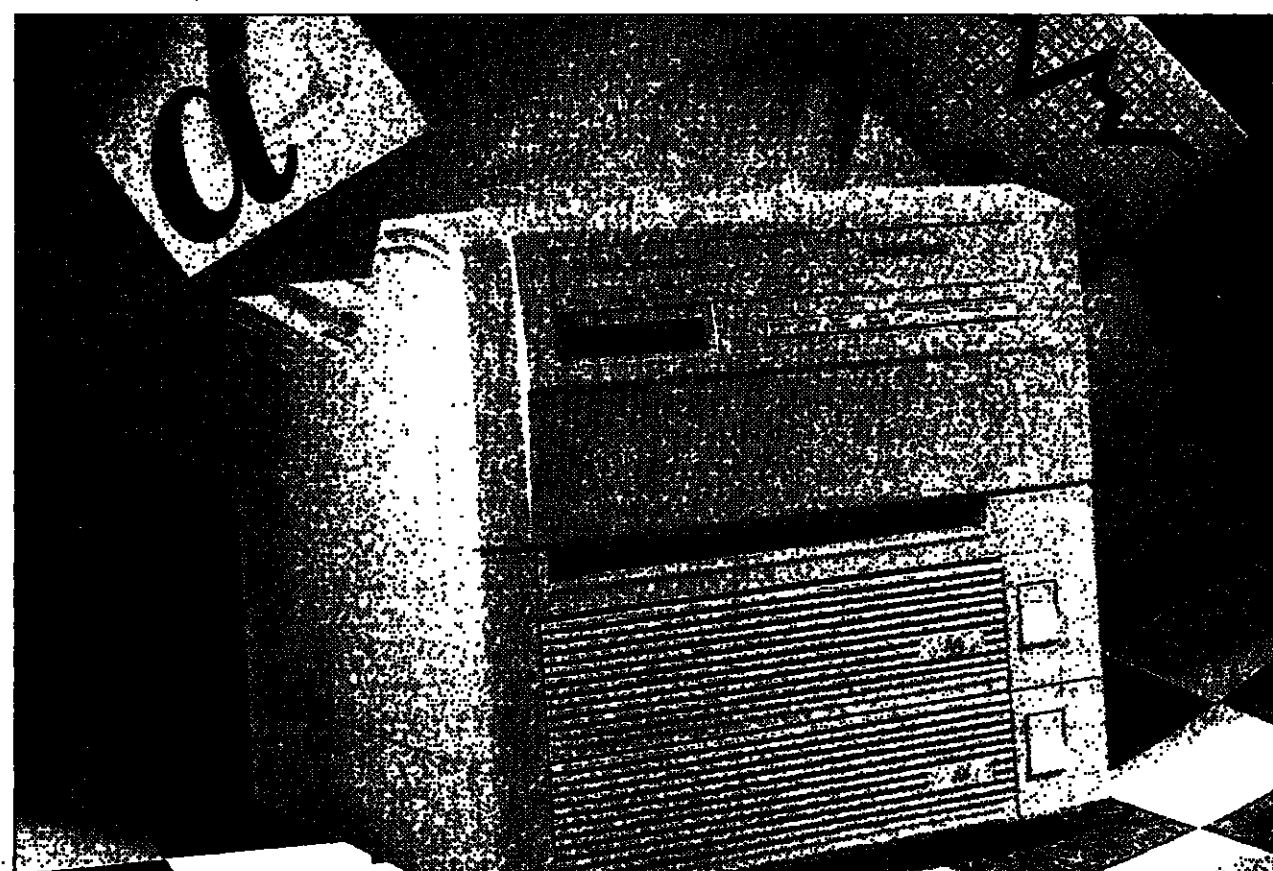
He rejected US demands for Cuba to change its one-party political system, improve human rights and reform its centrally-run economy.

"We are being generous enough in saying we are willing to discuss the embargo. It should be lifted. Full stop," he said.

He cited an existing UN General Assembly resolution condemning the US embargo against Cuba and calling for it to be lifted.

Under the September 9 immigration accord, Washington said it would allow a minimum of 20,000 Cubans to migrate legally to the US each year. In return, Cuba moved to halt illegal departures by Cubans to the US following the exodus of around 20,000 Cubans by sea over the last six weeks.

The progress of the accord will be reviewed at talks to be held no later than 45 days after September 9.



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NEWS: INTERNATIONAL

Israeli premier set to drop election pledge in order to win peace deal with Syria

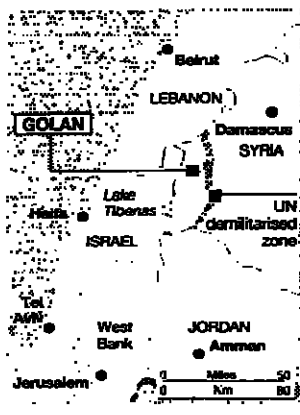
Rabin ready to return entire Golan Heights

By David Horowitz
in Jerusalem

At the height of a stormy Knesset debate this week on the future of the Golan Heights, Mr Uzi Landau, a hardliner from the main opposition Likud party, declared bluntly from the podium that Israeli premier Yitzhak Rabin was "a liar".

When seeking election two years ago, he recalled, Mr Rabin had promised never to sanction Israeli withdrawal from the entire Golan Heights. Yet now, Mr Landau charged, Mr Rabin was planning exactly that: a full pull-out in exchange for full peace with Syria.

Sitting in the front row of the hall, Mr Rabin flushed a deep red, and turned furiously to Mr Benjamin Netanyahu, the Likud party leader, demanding that Mr Landau be condemned for branding him a liar. Mr Netanyahu grinned, and retorted that he would be happy to condemn Mr Landau in the strongest terms "as soon as you convince me that you're not planning to withdraw from the Golan".



Mr Rabin had no answer for that: he stood up and, without another word, stalked out of the chamber.

The lesson from this extraordinary exchange is plain: Mr Rabin has indeed changed his mind and his policies. The man who just two years ago said, and believed, that to abandon Golan was severely to undermine Israel's security, now thinks differently.

Privately, and anonymously, some of his aides are confirming what Mr Rabin's Likud critics and the leaders of the

13,000 Jewish residents of Golan have been saying for several weeks now: that the prime minister now considers a peace treaty with Syria, the last and most implacable of Israel's former ring of neighbouring antagonists, to be worth the price of a complete pull-out.

Mr Rabin has said nothing too explicit in public, but he has been dropping hints. In recent interviews marking the Jewish New Year, he expressed his firm hope that an accord could swiftly be reached with Syria, despite the "painful compromises" he knew would be involved. Earlier this month, he unveiled a simplified peace formula - providing for an initial "slight" Golan withdrawal, to be followed after three years of normalised relations by a "substantial" pull-out. Crucially, cabinet sources stress, he did not rule out a complete withdrawal.

And when, a few days later, Syrian President Hafez Assad responded with a speech to his parliament, intimating that Syria was ready for full relations with Israel provided the entire Golan was returned, Mr

Rabin and his ministers reacted positively. An old equation, a newly upbeat Israeli response.

Just over a year ago, Mr Rabin departed from a policy he had endorsed for decades, and grudgingly stretched out a hand to welcome the Mr Yasser Arafat, leader of the Palestinian Liberation Organisation, into the peace process. Now, his aides indicate, he has made another strategic policy departure, abandoning his insistence on retaining at least part of the Golan.

Why has the prime minister - who as chief of staff in 1967 oversaw the capture of the Golan Heights - changed his position, flying in the face of his own Labour party platform?

Mr Yoel Marcus, a veteran observer of Mr Rabin who writes for the respected Ha'aretz daily newspaper, put it simply yesterday: "He has come to the conclusion that peace without the Golan will contribute more to Israel's security than the continued retention of the Golan without peace".

Three dozen Iraqi Scud missiles during the Gulf war

taught him that land is not the peerless security asset it once was. And with Egypt, the PLO and Jordan on board, a deal with Syria - and the accord with Lebanon that would automatically follow - would give Israel peace on all frontiers. At 72, Mr Rabin is nearing the end of his political career; a treaty with Damascus would be a crowning achievement.

However, at present, the prime minister does not even have his whole party, let alone the country, behind him.

Mr Avigdor Kahalani, a Labour backbencher who, as a battalion commander, was one of the heroes of bitter fighting on the Golan in the 1973 war, is defying Mr Rabin by leading a bipartisan campaign against withdrawal. A group of Golan residents are several days into an anti-withdrawal hunger strike. And an opinion poll published this week indicated that fewer than 50 per cent of the electorate are ready for even a partial withdrawal.

But these are early days. Mr Dennis Ross, the US Middle East peace talks co-ordinator, is due in Israel next week for a series of Jerusalem-Damascus

mediation trips. His boss, secretary of state Warren Christopher, is expected next month. By the end of the year, says Israeli army chief of staff Ehud Barak, believed to be one of the very few aides directly involved with Mr Rabin in the secretive peace manoeuvres with Damascus, "we could well be in the midst of negotiations with Syria".

Mr Rabin has pledged that, when the final deal is drafted, assuming it involves significant territorial concessions, he will hold a referendum.

As things stand today, he would lose, but he will doubtless utilise the next few months to prepare the Israeli public for the bitter pill of complete withdrawal, seeking to sweeten it by persuading President Assad to come to Jerusalem or at least meet him for a smiling eve-of-referendum summit.

After all, if President Assad wants the entire Golan Heights back, it is he, not Mr Rabin, who will have to play the main role in persuading a sceptical Israeli electorate of the virtues of the full-withdrawal-for-full-peace equation.

Japan savings bank in £9bn exchange loss

By William Dawkins in Tokyo

Japan's postal ministry, custodian of the world's largest savings bank, has revealed foreign exchange losses of at least ¥1,374bn (\$9bn) caused by the rise in the Japanese currency.

The shortfall, on the yen value of overseas bonds and shares bought by the postal savings bank and the postal life insurance up to the end of March, is unlikely to be turned into a cash loss because both institutions are long-term investors, over 15 to 20 years, say officials. By that time, they hope the yen will have weakened enough against the foreign currencies involved, mainly US and Canadian dollars and sterling, to yield a profit.

Yet the speed at which the postal institutions' foreign currency losses have risen, by 36 per cent in the year to last March, has worsened the postal ministry's poor relations with the finance ministry. Postal officials are unhappy over being informally asked by the finance ministry to avoid selling foreign equities to help government efforts to curb the yen's rise.

They have lobbied the finance ministry for permission to use derivatives to hedge foreign exchange exposure, but financial officials do not want state institutions to be seen using such instruments, blamed for creating volatility in Tokyo's capital markets.

The yen's continued rise, from an average of ¥107.8 to the dollar in March, when the postal funds closed their books,

to around ¥99 yesterday, suggests that losses on the yen value of foreign securities will have grown since then. Of the total deficit, ¥910bn is attributable to the postal life insurance's ¥4,222bn foreign exchange holdings, while the remaining ¥464.2bn is from the postal savings bank's ¥2,354bn foreign holdings.

Postal fund managers will reduce purchases of foreign securities this year, said a postal life insurance official yesterday. "We are now very very cautious about buying foreign holdings," he said.

Until now, the postal ministry has increased purchases of US and Canadian securities whenever private sector investors have sold the same paper, according to Mr Richard Koo, senior economist at the Nomura Research Institute. "At times, they provided, intentionally or otherwise, back-up for the Bank of Japan's foreign exchange information," he wrote in NRI's latest monthly guide to Japanese investment. He expects the ministry's new caution to spread to other Japanese investors.

The rise in the postal institutions' foreign exchange losses is unsurprising, since they bought overseas securities heavily in early 1993, when it looked as if the yen might stabilise at around ¥120 to the dollar, said Mr Robert Feldman, director of economic research at Salomon Brothers Asia. However, in the long run, the postal institutions could well end up with a profit on their foreign holdings, he predicted.

Palestinian economics chief offers to resign over funding

By David Horowitz
in Jerusalem

Mr Ahmed Korei, minister of economics and trade in the Palestinian Authority running self-rule in Jericho and the Gaza Strip, yesterday expressed grave pessimism over the future of the autonomy process and indicated he was on the point of resigning.

In a telephone interview with the Financial Times, Mr Korei, who is also known as Abu Ala, responded to reports that he had already submitted his resignation to the PLO chairman, Mr Yasser Arafat, by saying: "I am still not resigned officially. The final decision will come in two or three days."

He added that he would not be attending today's weekly meeting of the Palestinian Authority in Gaza. Palestinian sources suggested that Mr Korei might have filed a letter of res-

ignation, and was now awaiting Mr Arafat's reaction.

Mr Korei was arguably the key Palestinian architect of the Israel-PLO autonomy accords, leading Palestinian delegates through the months of secret talks in Oslo that preceded the official signing ceremony at the White House just over a year ago.

He is respected by both Israeli economic officials and international donors, and his departure would be a painful blow for Mr Arafat personally and for the fragile autonomy process, which is already being undermined by the non-arrival of hundreds of millions of dollars of pledged international aid.

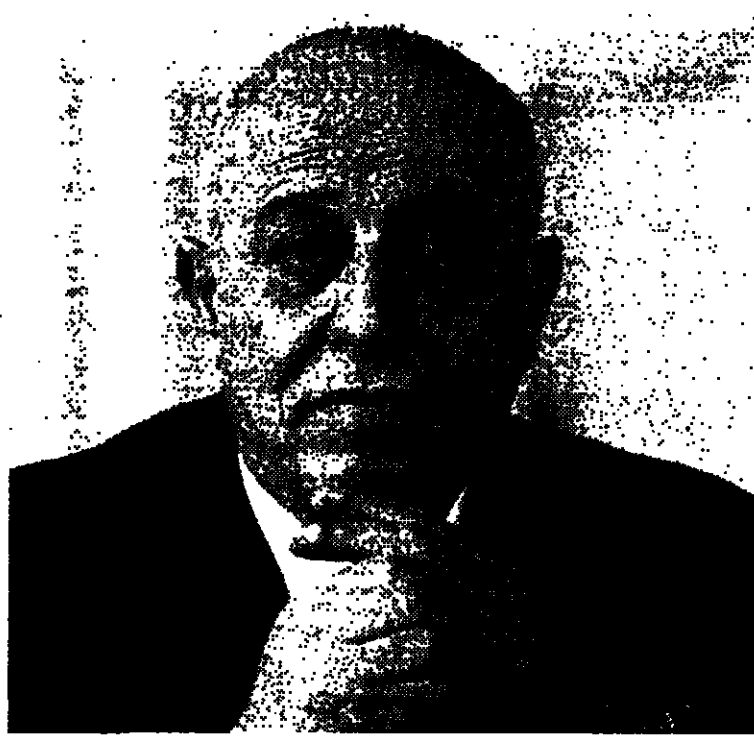
Mr Korei is known to hold Mr Arafat responsible for some of the funding shortages, complaining privately that the PLO chairman is scaring off would-be donors by insisting on personally overseeing the disbursement of funds rather than establishing fully

accountable institutions to perform the job.

In a veiled attack on Mr Arafat yesterday, he said Japan, Gulf countries, the west and other donors "want to help the Palestinian cause" but were withholding promised funds "because they want institutions to deal with". He noted that "no more than \$50m" had been received so far, out of \$2.5bn in aid pledges.

That lack of money, combined with the slow-moving pace of the autonomy process, he said, left him "very pessimistic".

He said that, under the terms of the autonomy accords, the Israeli army should by now have redeployed away from Palestinian population centres in the West Bank, that the Israeli civil administration in the occupied territories ought to have been dismantled, and that preparations should have been well in hand for democratic Palestinian elections.



Ahmed Korei: pessimistic about autonomy process

Fast growth for Chinese groups

By a Beijing Correspondent

Market reform in China is producing an expanding corps of fast-growing companies which will be in the forefront of foreign trade initiatives and industrial restructuring, according to a new survey.

The assessment - conducted by the Development Research Centre under the government's State Council, the State Statistics Bureau, and Management World, the Beijing magazine - found China's largest companies recorded higher growth and efficiency in 1993 and were evolving into industrial groups that will set the pace for reforming the loss-ridden state sector, the magazine said.

The Chinese corporate evaluation shows sales volume in 1993 increased 61.2 per cent over 1992 to ¥1,023bn (£77bn). Profits and taxes rose 37 per cent in 1993 to ¥156bn. The top 500 companies represented only 1 per cent of Chinese enterprises but accounted for 40 per cent of profits and tax payments, the survey said.

The number of companies with sales in excess of ¥1bn totalled 287, up from 254 in 1992. The smallest of the 500 recorded sales of ¥570m, reflecting sharp growth from 1992, when the smallest recorded sales of ¥370m.

The 500 are located mainly in the city of Shanghai, Guangdong and Liaoning provinces and several other fast-growing

coastal provinces, and are concentrated in metallurgical and industrial and transport machinery sectors.

The top ten companies and their sales volumes are: Shanghai Automotive Industry, ¥30.7bn; Dazhong Petroleum Administration, ¥27.7bn; Anshan Iron & Steel Group, ¥21.7bn; No 1 Automotive Works, ¥21.6bn; Baoshan Iron & Steel Group, ¥20.2bn; Dongfeng Automotive, ¥20.0bn; Capital Steel Complex, ¥17.5bn; Shenhui Petroleum Administration, ¥16.9bn; Wuhan Iron & Steel Group, ¥14.4bn; Beijing Yanshan Petrochemical, ¥11.4bn.

China is showing new flexibility on trade issues Australia wants resolved before it will agree to China's admission to Gatt, the Australian trade minister said yesterday. AP reports from Beijing.

Mr Bob McMullan met his Chinese counterpart, Mr Wu Yi, in concluding a visit to Beijing, Shanghai and Canton.

Australia's main concern is that China lower or eliminate tariffs on wool.

Talks on trade issues concerning Australia had been frozen, but the tone of his meeting in China convinced him there was "room for flexibility", Mr McMullan said.

China wants to be a Gatt member before January 1 so that it can be a founding member of Gatt's successor, the World Trade Organisation.

Emiko Terazono on bureaucrats at loggerheads over Japanese rules for investing public funds

The ¥1,374bn (\$9bn) foreign exchange loss on Japan's postal ministry investments highlights the conflict between the finance ministry and other ministries over the management of investment funds. The postal ministry wants to hedge its foreign assets by using currency futures and options and blame their unrealised foreign exchange losses on legislation which prohibits the use of such financial instruments.

Fund managers of the ¥72,300bn postal insurance also want legal changes which will allow them to invest in property. They argue that current weak conditions in the property market make it suitable for investment. And the postal ministry wants to diversify investments into corporate lending aside from the conventional stocks, bonds and deposits. This has met loud opposition from the commercial banks, since it would hurt lending to companies which is already dwindling because of faltering demand stemming from the sluggish economy.

The postal ministry is joined by the health and welfare ministry in fighting for more autonomy over investments of funds totalling more than ¥350,000bn collected through the state pension system - over which the health and welfare ministry holds jurisdiction.

The finance ministry lays down rules about how such funds are to be invested in order to maintain "prudent" fund management. However,

the two ministries claim that in order to maximise returns, the funds need to be managed more efficiently through diversified investments.

The health and welfare ministry wants to raise investment returns ahead of the surge in state pension receipts at the turn of the century. It is demanding that limits on investments - 50 per cent of the funds must be invested into bonds, while stocks and foreign assets cannot exceed 30 per cent - be eased.

Ministry officials also want to hire investment advisers, including European and US fund managers, to manage the funds. Currently, funds are allocated to 14 life insurers and 15 trust banks, with one institution managing as much as ¥2,000bn. The US government has long been pushing for similar changes since it would mean greater opportunities for US fund managers.

The finance ministry officials argue that high risk investments such as stocks, in which investment advisers hold high expertise, could lead to losses and hence hurt the policy holder.

The health ministry wants to manage its funds directly instead of the current arrangement, whereby the bulk of the ¥100,000bn state pension fund reserves are funnelled into low-interest loans for public works and the health ministry borrows ¥20,000bn from the finance ministry to invest in financial instruments deemed suitable by law.

FT Worldwide Residential Property Survey.

On Saturday, September 24 the FT Worldwide Residential Property Survey will be published with the Weekend FT.

It will look at a wide range of properties around the world including the most desirable residencies in London, Paris, Tokyo and New York.

There will also be insights into what makes a waterside development succeed. And it will provide a useful review of islands in the winter sun as well as chalet properties even for those who do not like winter sports.

Weekend FT

Hurd doubts on Hong Kong talks

By Simon Holberton
in Hong Kong

The depth of official concern over Hong Kong was underlined yesterday when Mr Douglas Hurd, Britain's foreign secretary, admitted that existing machinery for discussing with Beijing the colony's reversion to Chinese sovereignty in 1997 was inadequate.

Mr Hurd, at the end of a two-day visit to Hong Kong, said Britain and China needed to be "imaginative" in finding ways to accelerate the work of the Joint Liaison Group, a body established in 1984 to oversee the detail of Hong Kong's reversion to China.

"If present procedures need adaptation, if work can be done in a different way in

order to accelerate it, in order that purely technical matters can be dealt with without a political overtone - well, this is something the two sides can discuss," he said.

It was not readily apparent what imaginative steps the two sides could take to accelerate work in the JLG. Mr Hurd met the British and Chinese representatives to the JLG yesterday. After the meeting, Mr Hugh Davies, Britain's senior representative to the body, said both sides would look at ways to speed progress at next week's plenary session of the JLG in Beijing.

There is, however, deepening concern among British and Hong Kong officials that the JLG will not be able to complete its work by 1997. Next

week's meeting is taking place against a background of diminishing expectations; on present trends the colony runs the risk that many statutes will be invalid after China takes over because they have not been "localised".

Mr Allen Lee, a conservative politician, said Mr Hurd during a meeting with legislators had spoken of "an imperfect transition" because of the lack of progress in the JLG. The foreign secretary also told legislators that 1997 marked the end of British Empire and that Britain did not want to see it end in a "shabby way".

Mr Hurd will meet Mr Qian Qichen, his Chinese counterpart, in New York the week after next. The Chinese government has already sought to

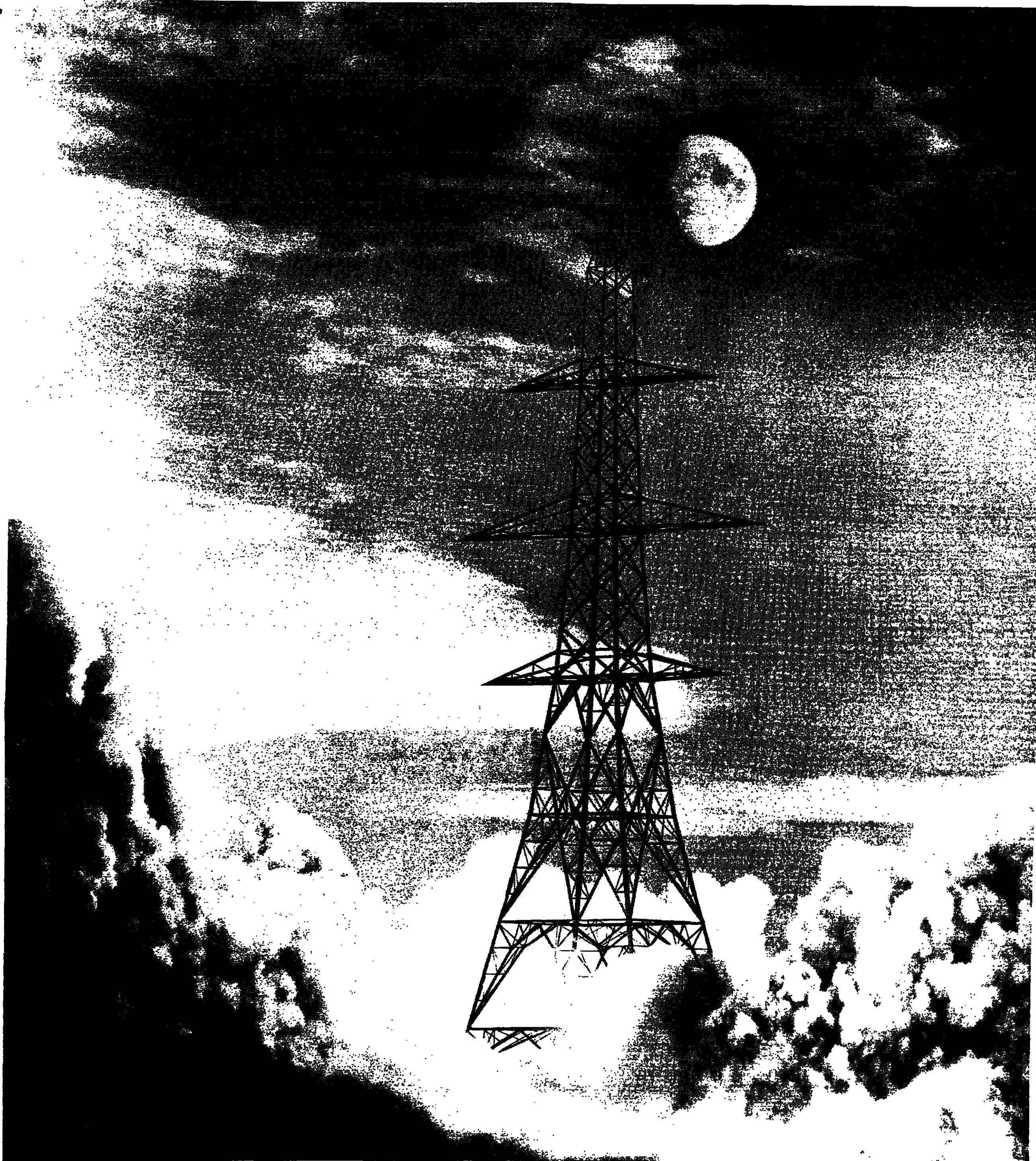
play down the significance of the meeting.

The foreign secretary said he would tell Mr Qian Britain was serious about co-operating with China on Hong Kong matters. Both sides had a legal commitment to do so and had a shared interest in seeing the colony enjoyed a smooth transition to Chinese sovereignty.

● Hong Kong will force 83 Vietnamese asylum seekers to return home next week, it said yesterday, resuming a controversial policy suspended after police tear-gassed protesting Vietnamese in April. AP reports from Hong Kong.

Human rights groups condemned the announcement, as Vietnamese in detention continued a hunger strike in protest at forced repatriation.

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NEWS: UK

Saudis and S Africans seek help Privatisation tops Major's tour agenda

By Kevin Brown,
Political Correspondent

Saudi Arabia and South Africa have asked the government for advice on privatisation programmes that could generate massive consultancy and flotation fees for British companies. British officials say privatisation will be near the top of Mr John Major's agenda on his five-day visit to the two countries and Abu Dhabi which starts tomorrow.

More than a dozen top businessmen will accompany Mr Major. The group includes senior executives of privatised companies, merchant banks and stockbrokers. Mr Anthony Nelson, the Treasury minister responsible for privatisation, is also going.

The trip is the first visit to South Africa by a British prime minister since Harold Macmillan's "wind of change" speech in 1960.

Mr Major will hold talks with Mr Nelson Mandela, the president, and his vice-presidents Mr Thabo Mbeki and Mr F.W. de Klerk. He will also meet Chief Mangosuthu Buthe, the Zulu leader.

The prime minister will announce a deal for South Africa and tell an informal summit of both houses of parliament that Britain is keen to re-establish a close relationship with its former colony.

However, the focus of the trip will be on developing business opportunities identified during an exploratory visit in July by

Mr Michael Heseltine, the trade and industry secretary. The African National Congress ruled out privatisation before winning the elections - but the multi-party government is considering asset sales as a means of raising money to finance its reconstruction and development plans.

The state-owned railways, ports and airline are thought to be possible candidates for privatisation, with the water industry and Telkom, the telecommunications agency. The government also owns a number of small businesses such as a phosphorus mine and a gas field which could be sold. Political demands for land reform would probably prevent the disposal of the state's vast land holdings.

Many of the British companies represented in the party have long-standing links with South Africa, and some are believed to have held preliminary talks with government officials since the election.

South Africa is also thought to be interested in buying British naval patrol craft and military aircraft. But British officials said no deals were likely to be finalised during the trip. Saudi Arabia is said to be considering the privatisation of part of its extensive public sector to replenish reserves depleted by the cost of the Gulf war. The state-owned telecommunications, petrochemicals, and airline businesses are thought to be potential candidates for privatisation.

Signal workers' chance to speak out

As RMT delegates meet this weekend, Robert Taylor looks at the executive's hardline stance

Delegates representing the signal-worker members of the RMT transport union meet this weekend in Great Yarmouth, Norfolk - the first opportunity in the nearly three months of their dispute for rank-and-file signal workers to express a view.

The annual conference will be held behind closed doors and has an advisory rather than decision-making role, but both RMT leaders and Railtrack management are anxiously awaiting its outcome. A union official said yesterday: "It should give us a good idea of the mood among the men."

Railtrack was taking a cautious view. For many weeks the state-owned company responsible for administering the network's infrastructure has been running a "hearts and minds" campaign among the signal workers urging them to persuade their leaders to return to the negotiating table.

The company believes many signal workers agree with the results of a MORI poll that it published yesterday which showed that 75 per cent of the public think the union should hold another ballot on strike action.

It also believes, however, that few signal workers are willing to speak out openly at union branches or elsewhere for a return to negotiations. Behind the RMT leadership's show of unity attitudes are by no means so clear-cut.

Mr Jimmy Knapp, the union's general secretary, cannot dictate the tactics or strategy of the dispute. He is accountable for all his actions to the RMT executive council, which he attends but at which he has no vote.

Mr Knapp is "subject to suspension" by the executive if he is ever "absent from duty" or responsible for "gross neglect or incompetence". His full-time



Although the RMT union says Jimmy Knapp (left) and Vernon Hince have not been overruled, its headquarters is an unhappy place

officials are also responsible to the executive council.

Day-to-day power in the union rests with the 21-strong executive council - which is to be reduced to 13 from January as the union contracts to save money in the face of dwindling membership and tight finances. The balance of political power on the executive is held by the left, although its majority changes.

The executive is unique in the trade union movement in that it is full-time - elected RMT members are seconded from their jobs to work in the union's London headquarters

and are paid an annual allowance by the union, usually about £28,000.

The signal workers have traditionally been a rather isolated section of the union with no substantial influence over policymaking. Only two members of the present executive are from signalling, headed although Mr Knapp has a signalling background. One of them - Mr John Tiley - heads the specially created six-strong strike committee that reports to the executive.

The main internal differences on the RMT executive in the signal dispute have been

over tactics and not strategy.

The most decisive evidence of division came on July 14 when the executive defeated by 12 votes to six a proposal to concentrate on weekly one-day stoppages. The move was proposed by most of the strike committee, backed by Mr Knapp and Mr Vernon Hince, the union's chief negotiator.

The executive decision to widen the action - passed unanimously by the executive - was very close to the left's demands and both Mr Knapp and Mr Hince refused to approve it.

Suggestions that the two have been overruled at least once by the executive's majority on the proposal of a compromise settlement to the dispute have been denied strongly. But RMT headquarters is an unhappy place.

This weekend's conference may put pressure on the executive to change tack or at least reassess their strategy. It is not wholly without importance. After all, last year it passed a motion calling for a strike ballot of signal workers if their long-standing grievances had not been resolved within six months.

Pottery workers made jobless

Redundancy notices were handed yesterday to 222 pottery workers at Ironstone Tableware in Shelton, Stoke-on-Trent.

Mr Ian Powell of Price Waterhouse, one of the administrative receivers appointed to the company earlier this month, said he could not rule out job losses among the remaining 208 workers.

He said: "We regret the need to make these job cuts but there has only been limited interest from prospective purchasers of the business, particularly at the pottery's present size and capacity."

The company, which makes earthenware including mugs and plates mainly for the overseas market, went into receivership because of cashflow difficulties.

Steel profiling plant to close

British Steel Products is closing its profiling plant at Newton Aycliffe, County Durham with the loss of 56 jobs.

The closure is part of a rationalisation plan to be carried out over the next few months. It follows the purchase in March of two profiling plants from RTZ, the international mining group.

The acquisitions improved British Steel's market position but with continuing overcapacity it wants to cut costs by closing one of its three plants, which turn flat steel sheets into shaped products.

Labour to hold economy debate

Labour is to hold a one-day conference on the future of the world economy later this month, at which it will debate policies and ideas at the heart of its agenda.

The one-day conference, called "New Policies for the Global Economy", has been organised by Mr Gordon Brown, the shadow chancellor, and will be attended by Mr Robert Reich, the US labour secretary.

The conference, to be opened by Mr Tony Blair, the Labour leader, will take place on September 27 at the National Film Theatre in London.

The Labour party said yesterday that its membership had risen to 260,381 in August - the highest since a scheme of national enrolment was introduced in 1988.

The party reported that it had recruited 41,000 members this year, including 10,000 union "registered" members.

Sales of building materials increase

Sales of building materials by builders merchants rose 8.8 per cent in the 12 months to the end of July, the biggest year-on-year gain since 1985, according to figures published yesterday.

A survey by the Builders Merchants Federation showed sales in May, June and July were 11.3 per cent higher than in the corresponding period last year, but 2.7 per cent lower than in the previous three months.

Partnership rescues to change

Partnerships in financial difficulty will be offered the same rescue procedures which are available to companies, under legislation laid before parliament yesterday.

The insolvent partnerships order will allow partnerships to come to a binding agreement with creditors for the settlement of debts, or allow a breathing space to put survival plans to creditors.

The order will come into force on December 1.

Minister praises model pay policy

By David Goodhart

Average take-home pay for an unmarried production worker in the UK is higher than in any other European Union country except Luxembourg, Miss Ann Widdecombe, employment minister, said yesterday.

In a speech to an International Labour Organisation seminar in London to mark the ILO's 75th anniversary, she argued that British labour market policy, stressing flexibility and deregulation, was an example to the world. She said the "diabolical trade-off" between good jobs and more jobs, which concerns Mr Robert Reich, the US labour secretary, does not exist in the UK.

"While income differences have widened in the UK, there

have been real wage increases for all groups," she said. "We are unlike the United States in this respect: there, real wages at the lower end have fallen. Adjusted for costs, take-home pay for a British production worker, married with two children, is only fractionally lower than in Germany or Belgium and higher than in France and Italy."

Miss Widdecombe argued that a flexible labour market was compatible with employment rights. "Many employment rights, such as those relating to health and safety, race and sex discrimination, trades union membership and maternity leave, apply to all employees regardless of hours or work or length of service," she said.

Bank is 'keeping Ucatt afloat'

By Robert Taylor,
Labour Correspondent

Ucatt, the construction union, would not be a going concern if it did not continue to have the full backing of Unity Trust Bank, the trades union bank.

This is the conclusion of H.W. Fisher, the union's accountant, in a memorandum submitted to the Independent Certification Office this week with the union's annual financial return for 1993.

The union reported a £1.05m operating deficit last year, down from £1.83m in 1992, with a negative net cashflow of £685,000 on its current account, down from £901,000. However, Ucatt's general fund reported an accumulated deficit of £3.17m on a temporary basis. We consider that there is therefore a significant level of concern as to the appropriateness of the going-concern basis.

The report continues that its opinion "is not qualified in this respect" on the basis that Ucatt bankers have indicated that they will continue to support the union. The overdraft has been secured by fixed charges over union properties.

Unity Bank has said it will continue to support the union commercially until a new business plan is completed and the bank is "satisfied that its implementation will restore the union to financial stability".

Mr George Bramwell, Ucatt's general secretary, said yesterday: "We are now in a position to make a significant reduction in our debts." The union is in the process of selling property and reducing its staff.

The accounts show that the union has saved about £800,000 in personnel costs. Its regional staff cost £1.97m last year, down from just over £2m in 1992. There was also a reduction in general administrative expenses to £661,000 from £749,000.

However, the union has had to trim its services to members. There was a cut of more than half in legal assistance to £204,000 from £510,000. Funeral and other benefits amounted to only £50,000 in 1993. Ucatt had investment income of just £3,000 last year.

Gummer backs shops complex

By Simon London,
Property Correspondent

A proposed £200m property development next to the Manchester Ship Canal yesterday won the backing of Mr John Gummer, the environment secretary, in an important test of government policy on out-of-town shopping centres.

Mr Gummer said that he would ask the House of Lords to overturn a Court of Appeal judgment in July which threatened to block the 1m sq ft Trafford Centre scheme.

The Appeal Court quashed outline planning approval granted in March 1993 by Mr Michael Howard, then environment secretary, following opposition by local authorities.

The authorities, led by Manchester City Council, said that the development would increase traffic pollution and harm town-centre stores.

The outcome should clarify the government's attitude to large, out-of-town shopping developments. Recent planning guidance issued to local authorities by Mr Gummer suggested that the government had changed its attitude to the desirability of such centres since the Trafford scheme was given the green light. The environment department has discouraged schemes which require people to travel.

Mr Gummer said yesterday that the original decision was lawful and reasonable in the light of circumstances at the time. He said the Appeal Court ruling could have implications for the administration of the planning system and should be clarified in the Lords.

The ruling is already being challenged in the Lords by Manchester Ship Canal Company, owner of the 300-acre site.

Cambridge votes for status quo

By John Authers

Cambridgeshire residents prefer the existing two-tier system of districts and counties, according to the results of a referendum announced yesterday.

Keeping the status quo was the most popular option in the "advisory referendum" carried out by the Local Government Commission - even though this was not among the structures proposed by the commission.

It was favoured by 38 per cent of those who responded. The commission's own preference for abolishing the two-tier structure and replacing it with three all-purpose unitary councils was favoured by 23 per cent, while alternative proposals for two and four unitary authorities were both favoured by only 14 per cent of respondents.

Almost 10 per cent of the county's 233,316 households responded to the questionnaire from the commission - a much higher turn-out than in Leicestershire, where only 2.3 per cent of residents participated.

However in Huntingdonshire, which stands to regain administrative independence lost in the reorganisation of 1974, 47 per cent favoured the commission's proposal. This repeats the pattern for Leicestershire, where residents of Rutland, another county which ceased to exist in 1974, strongly supported a return to the old boundaries.

There were overall majorities in favour of the two-tier system in both East Cambridgeshire and South Cambridgeshire districts, while a majority in the Fenland district favoured creating four unitaries.

Travelcard costs that carry a price

How far can London Transport push up the price of its Travelcard - allowing multiple journeys by train, bus and underground - before it kills the goose that lays the golden eggs?

Reports that London commuters face an increase of up to 10 per cent in Travelcard prices, with other tickets rising by just 6 per cent, have prompted concerns that the limits of customer resistance are about to be reached.

Introduced in 1983, the Travelcard boosted passenger numbers when public transport use was in decline in the rest of the country.

For commuters, the Travelcard is relatively cheap and convenient. Weekend and evening journeys on top of the daily journey to and from work are free.

The advantages to the trans-

port company are that it is paid in advance, there is less fraud and travellers do not pay each time they get on a bus or a train - allowing passengers to board buses more quickly.

Mr John Cartledge, assistant secretary of the London Regional Passengers Committee, a consumer watchdog, said: "The Travelcard puts public transport on a par with the private car. Once you have bought a car the only marginal cost is for petrol and parking, so you have an incentive to use it as much as possible."

The Travelcard also means you can make extra journeys for a nil marginal cost.

But LT thinks the Travelcard is too cheap. It was priced at a discount when it was launched but its price has increased more quickly than other tickets - for example by 10 per cent in January 1993

when fares in general were increased by 8.5 per cent - but LT calculates that it still provides a saving of 80 per cent.

Reports emerging from this year's early talks on fares policy indicate a far larger gap between the two rates of increase this time round.

Commuters might be happier if LT used the same method of calculating Travelcard fares as Network Ticketing, which administers the Network Travel Ticket for transport operators in Tyne and Wear.

Network Ticketing bases fares on the average charged for individual journeys by the 30 local bus companies, the Tyne and Wear Metro and British Rail. Mrs Julie Johnston, manager of Network Ticketing, said: "It is a straightforward mathematical calculation so we can easily explain how our prices are made up."

Its weekly rate is based on the cost of nine journeys, a discount of 10 per cent on a presumed 10 journeys a week for the Monday-to-Friday commuter, although some people make up to 15 journeys on a weekly ticket, a discount of 40 per cent.

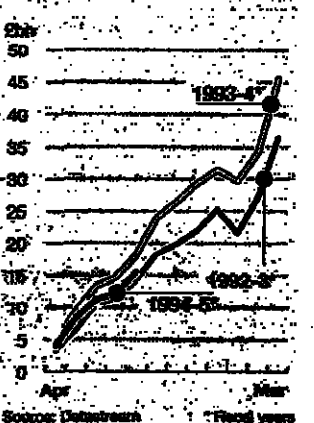
LT may have greater scope to reduce its 30 per cent discount because many commuters have no alternative means of travel.

But if it pushes prices too high travellers might be tempted to take to their cars, increasing congestion. If they stayed with public transport but bought single tickets, queues would lengthen, bus boarding times would increase and the cashflow benefit of advance payments would be lost.

Charles Batchelor

City disappointed at £3.2bn budget deficit

By Motoko Rich



The government's budget deficit deepened unexpectedly to £3.21bn in August from £1.1bn in July, well above City forecasts of £2.1bn.

But the public sector borrowing requirement for the first five months of the financial year was £15.5bn, down from £18.1bn in the same period last year, indicating that the Treasury is still on course to reach its forecast of £36.1bn for the PSBR in 1994-95.

Part of the reason for this month's figure was high central government outlays and smaller repayments by local

authorities and public corporations.

Analysts were disappointed by the August figure - but remained optimistic about long-term PSBR prospects, predicting a deficit of between £30bn and £34bn.

Mr Simon Briscoe, UK economist at S.G. Warburg Securities, said: "This month's deficit will restrain wildly optimistic forecasts. But it is better to look at a run of months because you will realise that tax receipts in general are rising more strongly than public expenditure, so an undershoot on the government's forecast is still on the cards."

Receipts from taxes, excise duties and other income totalled £17.19bn for August, up from £16.55bn in the same month last year, but down from £19.3bn in July. In the five months to August cash income was £87.1bn, a rise of 5.5 per cent from £82.5bn in the same period in 1993-94.

Cash outlays for August were £20.97bn, up from £20.39bn in August last year and £20.79bn in July. In the five months to August cash outlays were £104.1bn, up 2.5 per cent from £101.5bn in the equivalent period last year. Net departmental outlays in the five months were £38.3bn,

similar to the same period in 1993-94.

The auction of privatised companies' debt brought in £1.5bn in August. If these privatisation proceeds are excluded, the August deficit was £4.49bn and the running figure for the year is £17.7bn, compared with £21.5bn in the same period last year.

Central government borrowing on its own account was £3.5bn in August and £17bn for the financial year to date, against £19bn in the same five months last year. Excluding privatisation proceeds, the figure rose to £5.1bn in August, £19.3bn for the year.

Diseased turbot will be culled

Under a deal reached late last year Lex acquired a 50.1 per cent stake in Hyundai Cars (UK), with IM - which took on the Hyundai franchise in 1982 - holding the rest. The joint company has a three-year rolling contract with Hyundai.

Mr Windmill thought the disease could have reached the fish through their moist feed.

There have been some symbolic gestures since the IRA ceasefire such as ordering Brit-

that far from turning Mr Adams into a media star, lifting the broadcasting ban will help remove the myths surrounding him.

The licence is therefore likely to be awarded to Simple Active, a company controlled by the Guardian Media Group, which was the only other bidder.

The operation will be based in Coventry and could lead to the creation of up to 1,300 jobs in the next two years.

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FINANCIAL TIMES

Number One Southwark Bridge, London SE1 9HL
Tel: 071-873 3000 Telex: 922186 Fax: 071-407 5700

Saturday September 17 1994

Well done, Mr Clarke

Yesterday was the second anniversary of sterling's summary eviction from the ERM. That Wednesday has indeed proved black for the government, whose credibility has never recovered. But it has been white for the UK economy, which has enjoyed an accelerating recovery. On Monday, the chancellor of the exchequer, Mr Kenneth Clarke, saw fit to celebrate the anniversary by imposing the first increase in short-term rates of interest since October 1989 (except for that on that Wednesday itself). Has he ruined the chances for enduring growth, or ensured that this recovery will run and run?

Changes in interest rates take perhaps two years to affect the economy. The lag is uncertain and, in any case, variable. Whether base rate at 5.75 per cent, rather than 5.25 per cent, will make a decisive difference to performance two years hence is anybody's guess. But the new base rate is not intrinsically unreasonable for a country whose counter-inflationary credibility is weak. By historical standards, it is low: the last time base rate was at this level (apart from the months since the cut to 5.5 per cent in November 1993) was in November 1977.

The yield curve is strongly upward-sloping, which shows the market's expectation that current short-term interest rates are low (and so expansionary), in relation to expected ones. The shape of the yield curve reflects the jump in yields on longer-term gilts since January to 8.5 per cent, a rise of 2.7 percentage points. This was a larger jump than in Germany, where corresponding bond yields are only 7.6 per cent, notwithstanding higher inflation. In addition, the gap between conventional and index-linked gilts, which offers an indication of expected inflation, increased from 3.3 percentage points at the turn of the year to close to 5 percentage points this month.

Lacks credibility

In short, the government lacks credibility in financial markets, not just over its aim of 1.25 per cent inflation indicated for the end of this parliament, but on its official target of 2.4 per cent. Such lack of credibility has costs. It means, for example, that real interest rates on conventional gilts are higher than they need be. It may also mean a premature re-awakening of inflation in the labour and goods markets.

The counter-argument is that the markets are being hysterical. On this view, the economy remains burdened with large amounts of slack. Correspondingly, the inflation "shocks" of this week - a 0.5 per cent increase

in the retail price index in August and a 0.3 per cent increase in producer prices - are little more than blips. Excluding mortgage interest, the annual increase in retail prices was just 2.3 per cent. Meanwhile, July's provisional underlying increase in average earnings remained at June's unworried level of 3.4 per cent.

This objection can be strengthened by looking at nominal gross domestic product and domestic demand, where increases in the year to the second quarter of 1994 were only 5.6 and 4.3 per cent respectively. If the inflation target were converted to this form, these would be the sorts of increases the government would want. Is there any chance of rapid acceleration? A measure that suggests the answer is no is broad money (M4), which grew only 4.8 per cent in the year to July, vastly below levels in previous eras of accelerating inflation.

Fundamental issue

The fundamental issue is the extent of excess capacity, on which evidence is ambiguous. The recovery started, tentatively, between the first and second quarters of 1992 (a few months before black-and-white Wednesday). But GDP is now only 5.4 per cent above its cyclical trough and a mere 1.6 per cent above where it was when the recession began. Manufacturing output in July was 1.6 per cent below its last cyclical peak. Logically, there must be substantial excess capacity, particularly when unemployment is 8.2m.

There are two objections to this line of argument. The first is that if there were excess capacity (and the economy were, correspondingly, well above its "natural" rate of unemployment), inflation should be falling. But it is not, which suggests that the excess capacity may be largely theoretical. The second objection is that, because of this uncertainty, any excess capacity should be brought into use slowly. It is depressing, but true, that resources rendered idle by deep recessions cannot be brought back into play with ease. Complementary investment is required, which takes time.

The huge damage caused by deep recessions is the main reason for trying to avoid a repetition. This is more important than reaching the (unknown) point of full capacity as swiftly as possible. In erring on the side of caution, Mr Clarke showed common sense. If needed, he can always press the accelerator again. So Mr Clarke deserves praise. He may fail to get any from party colleagues. Will the British electorate prove more understanding?

Since the telegraph and radio, the globe has contracted, spatially, into a single large village.

That was Marshall McLuhan back in 1962. So it is hardly new to claim that today's "information superhighway" is creating a global village. Much the same was said during the printing revolution in the 15th century.

If the essence of village life is immediate personal communication, however, that off-evoked vision is at last becoming a reality. The international phone call, a rare and luxurious item only a few years ago, is now a commodity within reach of most inhabitants of the developed world.

Prices of calls are falling as technology leaps ahead. They would be falling faster were it not for the cartel in which most of the world's national telephone companies collude to maintain their vast profit margins.

Now, even the international phone cartel is coming under strain. Many observers expect it to break up within the next couple of years. As it does, cross-border call prices will collapse. At that point, at least the developed world will feel more and more like McLuhan's village.

"We are moving into a distance insensitive world in telecoms," claims Mr Thomas Luciano, AT&T's director of international settlements. "So it may actually cost less for a Londoner to put a call through to New York than to Bristol."

Even in the developed world, the international phone call only recently ceased to be a luxury. When the first regular phone service opened from London to New York in 1927, it cost £458 for a three minute call (in today's money). The entire transatlantic service was provided by radio until 1956, with space for no more than 20 people to hold conversations at any one time. It was not until the late 1960s that undersea cables provided lines in the hundreds, and direct dialling to New York began only in 1970.

"Making a transatlantic call was a real challenge until the 1970s," says Mr Neil Johannessen, director of the British Telecom museum in London. "Only then did international calls become truly part of the national phone system."

Two decades on, capacity is abundant. The latest transatlantic fibre-optic submarine cable being installed will provide 30 times the capacity for the same price as its state-of-the-art counterpart of a decade ago. A cable little thicker than a finger, it can carry about 600,000 simultaneous telephone calls.

STC Submarine Systems, the London-based supplier of telecoms cables, is working on a more sophisticated fibre-optic system able to carry 10m simultaneous telephone calls - enough for the entire populations of London and New York to speak to each other at the same time down one cable.

STC estimates that the cost of providing a telephone circuit by fibre between London and New York has fallen by 90 per cent in just the past seven years. According to its projections, the cost is set to fall to about one tenth of its current level over the next five years.

The problem is that these falling costs are not fully reflected in prices to the consumer.

At first sight, the drop in prices looks impressive. BT's transatlantic rates have fallen by more than a third in the past three years. In

Lines open for the global village

The price of phone calls is falling and will fall faster if the international telecoms cartel collapses, says Andrew Adonis



today's money, the price of a three-minute daytime BT call from London to New York is down from nearly £14 20 years ago to less than £1.50 now.

But with their cost base shrinking even faster, the main international carriers are making margins of more than 50 per cent on much of their international traffic. On the all-important transatlantic route, industry estimates suggest that it costs little more than 7p a minute in direct network charges to deliver a call, yet the daytime prices charged by BT and AT&T average

Prices of calls would be falling faster but for the cartel in which most telephone companies collude to maintain their profits

nearly 45p a minute.

A large part of the reason for the disparity is that international phone prices are fixed by agreement between national operators. These are mainly monopolies, subject to few competitive pressures and heavily reliant on international calls to sustain their profits and subsidise their local networks.

The cartel keeps prices artificially high, with serious consequences for the growth of new "superhighways" services and for industrial competitiveness. This is particularly damaging in Europe, where prices for cross-border calls are many times higher than for equivalent distance domestic ones.

For companies, one way of reducing the cost of calls is to lease telecoms lines and build their own private networks. However, Europeans are at a disadvantage here, too. According to a recent survey by the UK's Department of Trade and Industry, a leased telecoms line between France and Germany costs nearly twice as much as the same leased line within either country, and about 16 times as much as a 20km leased line in the US.

Pressure to reduce prices has led to focus on the arcane regime which governs international telecoms, whereby operators agree prices among themselves for delivering calls between countries. The agreed prices - known as "accounting rates" - have traditionally borne little relationship to costs.

After years of criticism, the cartel is cracking, and may be in its last phase. Three trends are evident: a breakdown in co-operation between the telecoms operators that sustained the accounting rate system;

the rise of competing, non-cartel carriers in leading markets, notably the US and UK;

a growing emphasis on privatisation and liberalisation in Europe and much of the developing world.

Multinationals have been lobbying against the cartel for years, and have been helped by divisions in the ranks of the telecoms operators. Because far more calls are made from rather than to the US, AT&T pays out far more to other carriers than it receives in return. It claims this imbalance is running at \$2.4m a year, and is campaigning to reduce it.

In response to such pressure

accounting rates have fallen sharply in recent years; and the International Telecommunications Union, which oversees the cartel, has resolved that accounting rates should become "cost-oriented".

A row this week between AT&T and BT indicates the distance still to go: AT&T is pressing to cut its rate with BT from 31 cents a minute to about 11 cents, but BT will agree to a cut of no more than 25 per cent, arguing that reductions have to be "managed".

Pressure for further sharp cuts will nonetheless intensify following

On the most optimistic projections it will be decades before the phone is a standard household item across the globe

an important change to the regulatory regime due to be announced next week by the Federal Communications Commission, the US telecoms regulator.

It will permit a new form of transatlantic telecoms competition using leased lines, which will benefit companies that make their business from leasing lines from the top carriers and re-selling them at a discount to standard tariffs. After the change they will be able to connect the lines into the public network on both ends of the Atlantic, giving them wider access than previously.

"This is a big nail in the coffin of the international cartel," says Mr Laurence Heyworth, telecoms ana-

lyst with Robert Fleming, the broker.

Although this month's change concerns only the US and UK, the US is by far the most important foreign destination for UK calls, while the UK is the third most popular for US calls. Canada, which is the most common destination for outgoing calls from the US, already permits the same form of competition with both the US and UK.

New operators are bound to find ways of using the new regime to offer cut-price services to mainland Europe, whatever the formal rules laid down by the US and UK regulatory authorities.

Notwithstanding the current controversy about over-priced calls, demand continues to race ahead. International telephone traffic has been growing at a compound rate of about 17 per cent a year for the past decade.

Such growth does not just reflect the globalisation of business. According to the ITU, residential calling is contributing as much, if not more. The residential market is burgeoning, thanks in part to the increased mobility of populations: the US alone gained nearly 9m new immigrants in the 1980s, while the influx into western Europe has been running at about 2.5m a year since the collapse of the Berlin Wall.

In the UK, Worldcom, a competitor in international business services to BT, is about to enter the residential market by targeting immigrant communities through direct mail. "We are confident that lower prices will stimulate a lot more international calls to friends and relations," says Mr David Hardwick, managing director.

For all this the global village will still be a somewhat exclusive community. Most of the world's population has no access to a telephone of any kind, let alone fibre-optic international telecommunications and multi-media wizardry.

The average global citizen made about seven minutes worth of international calls in 1991, but that average conceals a huge range: from seven hours per citizen in Luxembourg to six seconds in Africa.

Barely a fifth of 105 countries surveyed by the International Telecommunications Union boast more than 25 phone lines per 100 people, with most developing countries providing fewer than 5 per 100. The UK has four times as many phone lines as India.

The priority in the developing world is to build more lines. Investment is accelerating and new technology - such as "fixed cellular" systems - may slash the cost of infrastructure. China plans to quadruple its number of phone lines over the next decade.

Yet on the most optimistic projections it will still be decades before the phone is a standard household item across the globe.

Governments and phone companies are coming to realise that rapid expansion requires a radical retooling of the existing telecoms regime. In many Asian, eastern European and Latin American countries, governments are now wooing foreign telecoms investors instead of seeking to fund expansion of their monopolies largely by taxing international calls.

As a senior Chinese official put it recently: "We used to think it was the roads that mattered; now we realise that telecoms links are more important, and a crucial agent for growth." Perhaps in the true global village the motor car will be a quaint relic of the 20th century.

MAN IN THE NEWS: Kenneth Clarke

The one who knows where he's going



Of course he hopes to be able to combine fiscal prudence with a demonstration of tax-cutting intent. But if it comes to a choice, he will opt for sound finance. The voters want tax cuts that will last.

No one noticed, but Mr Clarke did something else this week. He quietly buried the monetarist ideology which lay at the heart of the Thatcher revolution.

Look at the reasons he gave for raising interest rates. Buoyant growth in output, sharp rises in exports and an upward in investment pointed to a shrinking level of spare capacity in the economy.

The Treasury press release did mention the narrow measure of the money supply and allude to the recent weakness of the exchange rate. But the chancellor is not interested in excursions along the fog-

bound monetary motorways on which his predecessors found themselves lost during the 1980s. As befits a chancellor self-consciously proud of his roots in the industrial Midlands, he intends to watch the real economy.

Mr Clarke would say that nothing that has happened in the past few days should surprise us. His first act as chancellor was to tackle public borrowing. It was he who decided to inject transparency into interest rate decisions by publishing the minutes of his monthly meetings with Mr Eddie George, governor of the Bank of England. And anyone glancing at his record at health, education and the Home Office could have guessed his attitude to public sector pay.

The trouble is not everyone in the Conservative party - or for that

matter the cabinet - shares all his inner certainties. One or two noticed that the Bank had not anyway left him much choice this week on interest rates. Ken and Eddie may be getting on famously, but what happens when they fall out?

Colleagues on the Tory right detect in Mr Clarke a politician whose convictions are too close to the social democracy of Mr Tony Blair, the Labour leader. The obvious mutual respect between the two men does not help.

Others harbour still darker suspicions. The chancellor has been quiet lately about his enthusiasm for Europe. But the Tory sceptics fear that, once the economy is in suitable shape, he will again take up the cause of economic integration. He has after all admitted he would back a single currency.

Then there is the small matter of Mr John Major. Close allies in both camps insist gossily about rows between the prime minister and Mr Clarke are unfounded. Sure, the prime minister gets irritated when the chancellor will not stop talking (Mr Clarke should watch for the moment when Mr Major starts tapping his fingers on the table).

It would be odd also if the prime minister were thrilled by Mr Clarke's cheerful public admissions of his long-term ambitions to succeed him. But the two men are agreed on the central planks of economic policy.

That could change. It was Mr Major who promised, during the 1992 campaign, tax cuts "year by year". His enthusiasm for fiscal prudence may fade as the next election approaches. There will be plenty of colleagues telling him to put some money back into the voters' pockets; that Mr Clarke has gone native at the Treasury; and that he, Mr Major, should set the government's electoral strategy. The prime minister should ignore them. Mr Clarke reminded us this week that a clear sense of direction is everything in politics.

Philip Stephens

The BIEE memorial award for Andrew Holmes

A fund has been established in memory of the distinguished *Financial Times* journalist and editor of *Power in Europe*, Andy Holmes. The British Institute of Energy Economics (BIEE) is to give an annual research award of £1,000, subject to finding a suitable candidate. The arrangements are being administered by BIEE. The award is open to men and women between the ages of 21 and 35, resident in the United Kingdom, and who are interested in energy issues.

Applicants should submit a two-page original and non-technical research proposal related to energy or to energy and the environment, and likely to lead to a 5,000-10,000 word paper. This proposal should reach the address below by October 31, 1994 with a cover note giving details of address, phone and fax numbers plus university or company affiliation, if any. A shortlist of applicants will then be drawn up and interviewed in London in December. The winner will receive half the money on winning the award and the remainder on completion of the paper. The results will be announced in early 1995.

The aim of the award is to encourage young managers, postgraduates and others to think about the wider issues of energy policy. Topics could include the European Energy Charter, global warming, the impact of China's economic growth on energy demand, policy on the development of alternative transport fuels, the future of nuclear power, third party access to transmission grids etc. These are purely illustrative. The judges do not wish to specify a precise topic, but the subject matter and final essay should be fully comprehensible to a non-scientific or non-technical audience. The winner may be asked to present his or her findings at a BIEE meeting, and the resulting paper may be published in shortened form in the *FT Energy Economist*.

Applications should be sent to: Lucy Plaskett, FT Newspapers, 126, Fermanagh St, London SW1Y 4UJ. Fax: 071-411-4415.

Clinton's least worst option

Invading Haiti could deepen White House isolation, says Jurek Martin



War aims: a Haitian army trainer teaches civilians to fire rifles in preparations to counter a possible US invasion

It was good," the crusty Washington veteran said of President Bill Clinton's nationally televised address on Haiti on Thursday evening. "But, of course, it was not good enough."

It probably never could have been. Forceful as his arguments were during his 16-minute speech from the Oval Office, the president was, as RWA put it in yesterday's New York Times, speaking "into the teeth of a howling political gale."

The impact of his case was diluted by the instantaneous reaction from Port-au-Prince. CBS television immediately switched to an interview with Lt Gen Raoul Cedras, Mounbaling in French, the leader of Haiti's military junta said he was ready to die as any soldier would, in defence of his country.

But the junta was not Mr Clinton's prime target. His task was to convince his own public and politicians that he had not painted himself into such a corner that he had no alternative but to send US forces overseas on a combat mission for the first time in his presidency - and to a country of such insignificance that its relevance to the US national interest is but dimly understood and, if grasped, is perceived as not worth the expenditure of American lives.

All week Congress and most of the media have been inveighing against intervention. Senator George Mitchell, the majority leader, managed to avoid the Senate voting against US action this week, but he could not prevent a floor debate in which Democrats, including some of Mr Clinton's most loyal

troops, urged him to pull back. Absent an actual invasion, votes in both houses may be unavoidable next week. Divisions were even apparent in the congressional black caucus, the strongest advocates of restoring Haiti's elected government by force if necessary.

Partisan criticism was predictably vicious. Both Dan Quayle, the former vice-president, and Ross Perot, the independent presidential candidate in 1992, said Mr Clinton was only acting to restore his sagging popularity in advance of November's mid-term congressional elections. Mr Perot added the twist that not serving in the Vietnam War rendered Mr Clinton morally unqualified to send US troops into danger. But the balance of opinion from both sides of the political aisle was definitely that Mr Clinton should secure the authorisation of Congress for any intervention.

That has also been the thrust of much editorial comment. The New York Times wrote yesterday that it was "Congress's solemn duty to decide on issues of war and peace." USA Today warned that "getting in is easy; getting out is hard". The Los Angeles Times thought that only the flight of the junta could justify the president's sabre-rat-

ting. Almost alone in offering a contrary view among the pundits was Michael Elliott in Newsweek, who argued the US did have legitimate national interests in Haiti and concluded "the foreign affairs gurus can be wrong."

Mr Clinton showed himself sensitive to guru opinion by recalling in his speech the public statements of President George Bush and James Baker, his secretary of state, that the 1991 coup in Haiti "cannot stand". But members of the former administration, including Messrs Bush and Baker, have been in the vanguard of those urging Mr Clinton not to go to the wall for Jean-Bertrand Aristide, the ousted president. A statement issued on Thursday by Brent Scowcroft, the former national security adviser, was typical. Its headline ran: "Haiti revisited: is this trip necessary?" At least Mr Clinton was able to assure them that Fr Aristide had agreed not to seek another term, once restored to power.

Still, the weight of opposition to Mr Clinton's policies should not be interpreted as meaning the US stands on the brink of its own constitutional crisis over the limits of presidential authority. As Senator Robert Dole, the Republican leader,

conceded, the mere act of an invasion will dissuade Congress from doing anything that could be construed as undermining the US military mission or suggesting to the junta that US resolve is anything but absolute.

Public opinion also is not set in concrete, with two overnight polls of those who had watched the president speak finding he had won over some hearts and minds. This improvement might hold up if, as expected, the Haitian military

crumbles quickly and if the operation resembles the short, sharp incursions into Grenada in 1983 and Panama in 1989. But the experience of the Gulf war, popular, congressionally approved and successfully accomplished, shows how fickle public opinion can be. Waving the flag is unlikely to have much influence on the mid-term elections.

To this end, Mr Clinton sought to make much of the fact that most US troops would be out of Haiti "in months not years", to be replaced

by an international peacekeeping force, drawn from over 20 countries. But even this commitment was greeted with scepticism by those noting, like Mr Scowcroft, that the last US invasion of Haiti in 1915 led to a 19-year occupation and by others pointing out that international support had been extracted only with extreme difficulty.

Mr Clinton's other justifications for action mixed the highly moral - the need to end gross human rights abuses and the proclamation of

hemispheric democratic values - with the domestically political. The cost of caring for refugees and illegal immigrants is already a big issue in Florida (and, for different reasons, California), and the president painted a somewhat lurid picture of the threats posed by another wave of Haitian boat people washing up on the Florida shores.

These arguments were also given short shrift. Congressman Newt Gingrich, the Republican from Georgia, found it "disgusting" that the president should compare George Washington with Fr Aristide, while Congressman Porter Goss, the Florida Republican, thought the refugee rationale "disingenuous and frankly unhelpful". A M Rosenthal, in the New York Times, wondered what had happened to a country which once welcomed immigrants with open arms.

But, beyond the particular, there is the general sense that Mr Clinton is about to do something - invade a foreign country - which he entered his presidency determined to avoid at all reasonable cost. More even than his countless Haitian policy twists and turns, it is the often public agony of his decision-making processes, also evident in the domestic arena, that sometimes seems positively unimpressive.

On Thursday night, he came over as stern and tough, perhaps another manifestation of this quicksilver man. But by the time he spoke, he was damned if he did invade and damned if he did not. Not backing down had become, arguably, the lesser of the two evils.

Lionel Barber on the challenge before Jacques Santer Dealt a mixed hand

It is Mr Jacques Santer, next president of the European Commission. In the next few weeks, the affable Luxembourg must decide a division of portfolios, a thankless task which will produce few winners, many losers, and bruised egos all round.

Mr Santer took soundings this week among fellow European prime ministers. From Lisbon to London, he heard pleas for special treatment; none louder than in Paris where the Balladur government had warned of the need to respect France's "weight" in the European Union.

The pressure must be faintly unsettling. Mr Santer never sought the top executive post in Europe, and only secured it on the say-so of Chancellor Helmut Kohl, who saw the Franco-German candidate, Belgium's Mr Jean-Luc Dehaene, fall to a British veto.

"This is Santer's first big test," says a Commission official. "It's a test of his grip on the new Commission and of his clout with member states." Mr Santer inherits a demoralised Commission whose mission needs rethinking. His preparations for assuming the presidency on January 6 next year coincide, too, with debate on the shape and pace of European integration which may affect his team's composition.

Spain insists the balance between north and south be preserved, despite likely enlargement of the EU next year to include Austria, Finland, Sweden and Norway. Italy, too, was unmoved by the recent paper from the governing CDU/CSU coalition in Germany advocating a "hard core" of five member states led by France, Germany and the Benelux countries.

For its part, the UK is struggling to fend off French-led attacks on Sir Leon Brittan, the chief EU trade negotiator. The UK's obstructionism in Europe has weakened its bargaining position; but it is lobbying to persuade the Bonn government that keeping Sir Leon in charge of economic relations with central and eastern Europe would better serve German interests than would giving his portfolio to the protectionist-minded French.



Mr Santer's greatest constraint is that he may inherit as many as seven Commissioners. Of them, Mr Martin Bangemann, the German industry commissioner, Mr Karel Van Miert, the Belgian competition policy commissioner, and Sir Leon are heavyweight "barons of Brussels" who form a powerful old guard.

In the summer, Mr Santer hinted incumbent commissioners might keep their present jobs, though he reserved the right to trim or reorganise their empires. Opinions differ on whether this was a shrewd or short-sighted move. "Santer passed up the chance for a real shake-up of portfolios," says an official who recalls that Mr Jacques Delors' first move in 1984 was to demand commissioners' resignations. But another long-serving official says Mr Santer's tolerance of the status quo was clever as it reduced scope for conflict.

Allocating portfolios is the Commission president's most demonstrable power, but interference by member states renders it something of a fiction. The question is how far Mr Santer can pick a team in which talent is given due weight and the Commission's role as umpire, power-broker

and policy catalyst is preserved.

His first problem is that there are not enough good jobs to go around - even more so now that the number of commissioners is due to expand from 17 to 21 if the Scandinavians and Austrians join the EU next year. At most there are five top jobs and five medium-sized portfolios; the rest are consolation prizes.

Trade and competition policy are in the top rank as they carry statutory powers and the authority to negotiate international agreements on behalf of member states.

Hence the declaration of interest - some would say presumption - by Mr Yves-Thibault de Silguy, the French technocrat who served as adviser to a French commissioner in the early 1980s.

Agriculture is also vital, not just because the Common Agricultural Policy accounts for half of the EU's ECU70bn (US\$140bn) budget but because further CAP reform is crucial. Other attractive jobs include the economics portfolio (where the Commission has the right under the Maastricht treaty to recommend which countries qualify for monetary union),

and industry (where Mr Bangemann wants to expand his telecommunications brief).

Medium-sized jobs include environment (which might pass to an eco-conscious Swede); regional policy (for which Mr Neil Kinnock, the former UK Labour party leader, may make a pitch); and social policy, which is likely to go to Mr Padraig Flynn, the Irish commissioner, appears committed). Finally, there is the job of administering the single market. Many hope for someone more forceful than the incumbent, Italian diplomat Mr Vanni d'Archirafi.

Mr Santer's aides are considering an expanded "institutional affairs" portfolio to prepare for the 1996 inter-governmental conference to review Maastricht and liaison with the newly assertive European Parliament. There is also gossip about a new "turbo-charged" transport portfolio overseeing proposed trans-European railways linking north and south, east and west through rail, telecommunications and gas pipelines.

Transport may be offered to Mrs Edith Cresson, former French socialist prime minister. Best known for comparing Japanese workers to ants and her aspersions on the sexuality of the British male, she is awaited in Brussels with some trepidation.

The most pressing problem remains reorganisation of the Commission. Mr Santer must decide whether to unscramble Mr Delors' most important innovation: the creation of a commissioner for external political affairs, currently Mr Hans van den Broek, former Dutch foreign minister.

He must also decide how to improve co-ordination between commissioners, their cabinets and the career civil service. Without action, the bureaucracy will creep along with its duplications and petty infighting. The most vivid example is the turf battle between Mr van den Broek and Sir Leon.

It is a formidable challenge. Mr Santer might do well to ponder Mr Delors' response when told Greece wanted him to stay on for a few months while his succession was sorted out. "Never again," he said.

The abrupt announcement this week of the resignation of Mr Stephen Friedman, head of US investment bank Goldman Sachs, has caused a certain amount of hand-rubbing in financial circles. Goldman is probably the most ferociously successful investment bank in the world. Last year it made \$2.7bn in pre-tax profit, most of it made divided among its 150 partners.

This year, the markets have dried up or gone the wrong way, and Goldman's profits have collapsed - some say by more than half. Other firms have suffered too; but according to the rumour mill, the two events must be connected. First prize, then the fall: and Mr Friedman is paying the price.

This, says Goldman, is simple nonsense. The volatility of markets is a fact of life, and it is no use blaming individuals. Mr Jon Corzine, who this week was named as Mr Friedman's successor, is co-head of the firm's bond business, where most of the losses were made.

The truth, according to Mr Friedman, is quite different. At 56, he is simply dog-tired. An exceedingly wealthy man, he wants to exchange life on an aircraft for trout fishing at his country seat in Wyoming. There seems no reason to doubt him. His evident relief this week at handing on the burden of office would have been hard to counterfeit. The question raised by his departure is a different one. Mr Friedman looks young and fit for his age. If he were running an industrial concern like Dupont or General Motors, he would have at least five more years ahead of him. Goldman is notorious for its fanatical devotion to work. Has the point been reached where it is only a young man's game?

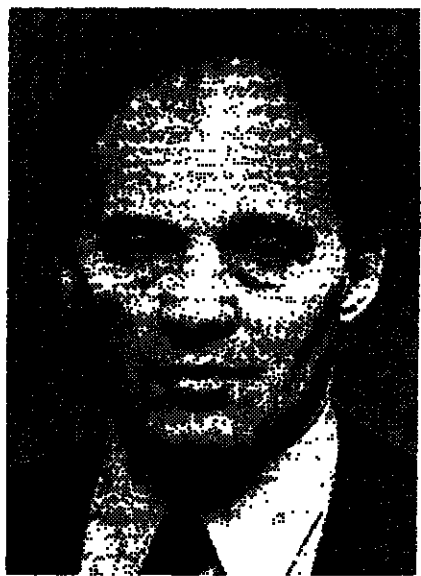
Not at all, says Mr Corzine, aged 47. One of the most productive members of the firm's management committee is in his late 50s. People's attitude towards work, he says, is a matter of individual taste. "Some people like reading, some like sports, some just like working."

Nevertheless, the Goldman culture can seem to the outsider slightly spooky, even monastic. Take, for instance, the apparent addiction to running. Mr Friedman is reportedly an avid runner, and Mr Corzine goes out four or five days a week, 3 or 4 miles at a time. A story from Euromoney magazine - possibly apocryphal, but irresistible - tells of a bankers' meeting in London which broke up late in the evening. The other bankers tottered off to hail cabs. The Goldman team donned track suits and sprinted off in the rain.

Though harmless enough, this seems symptomatic. The Goldman culture does not hesitate to reach into its members' spare time. The firm's published statement of business principles says: "We expect our people to maintain high ethical standards in everything they do, both in their work for the firm and in their personal lives." Or, as Mr Friedman put it in last year's annual review: "We recognise... that we must be prudent in our busi-

Bank for millionaire monks

Tony Jackson assesses the changes in management and profitability at Goldman Sachs



Stephen Friedman: gone fishing

ness and personal planning and in our lifestyles."

It is a principle from which Mr Corzine does not dissent. What matters for a financial institution, he says, is reputation, both public and private. "We don't try to dictate terms on how people handle their personal lives, but as a partner and a leader you have to be credible."

The private nature of the firm obviously plays an important part in its success. This week's announcement, however, set another hare running in the financial press: the familiar rumour that Goldman - virtually unique among banks of its size in retaining its partnership structure - is hungry for capital, and may have to consider going public.

Mr Corzine, like Mr Friedman before him, gives this short shrift. The firm is always looking to raise capital, he says, if the terms are right. It raised \$200m of equity from financial institutions last year. Something under a quarter of its equity belongs to outsiders at present. But going public, he says, "is not on my practical agenda today, nor on my primary agenda for the future". Perhaps the real threat to privacy

comes from pressures of a different kind. Last year's \$2.7bn profit was rather larger than Goldman's entire wage bill. That is, the 150 partners received more in aggregate than their 8,000-odd employees.

The question of fair distribution, says Mr Corzine, is a perennial one for Goldman. Compared with 10 or 20 years ago, the system feels to him fairer than it was, "though of course, I may be biased". More fundamentally, he argues, the bulk of the profit is left within the firm to make a return going forward for partners and employees alike. "You must remember that the vast majority of that money is reinvested in that risk."

This is perhaps a little disingenuous. Anyone earning around \$15m a year, as the average Goldman partner did last year, will aim to invest the bulk of it for the future. Goldman's equity capital at the start of last year totalled \$3.7bn, so the \$2.7bn of profit represented a return of 73 per cent. Faced with an opportunity like that, no investor in his senses would put his money anywhere else.

For Goldman's employees, jostling around below partnership level, one obvious question is how many partners the firm can take on without exploding. According to Mr Corzine, this is not an immediate problem. "At some point the group gets too extended to be a community of interest. That's probably not 250." In any case, he points out, expansion is not inevitable. "Theoretically, if opportunities in the financial arena were to decline over the next decade, we could have fewer partners."

This brings us back to the question of current trading. It has been, in Mr Corzine's restrained phrase, a difficult year: not just in the turbulent first quarter, when the Federal Reserve Board raised US interest rates unexpectedly, but in successive quarters as well. A lot of money was raised in world bond markets in 1992-93, when interest rates were low. "That was a great window of opportunity, and a lot of people jumped through it," he says. Business this year is down accordingly. Goldman's underwriting of municipal bonds, for instance, is down 50 per cent by volume.

"So some of our vital core business has slowed dramatically," Mr Corzine says. "That might go on for another couple of years. No one can predict." Meanwhile, 1994 looks like joining 1979 and 1987 as a memorably bad year for the industry: not as bad as the other two, says Mr Corzine, unless maybe you were focused on European bonds. "It might depend on what generation you put the question to."

This does not mean, he insists, that Goldman is pulling in its horns. "There are lessons to be learnt. You get overly optimistic in the beautiful environment of bull markets. It was very easy in 1993 to think you ought to have a presence in every capital market in every major country in the world. There are ways of doing things more efficiently. But that's not retrenchment. It's adjusting the pace of expansion."

Car a persuasive option

From Mr Michael Landon.

Sir, Richard Donkin asks (Jobs: September 14): "Why do we persist with the company car as a form of reward?" The answer is quite simple. It is still a very cost-effective way of providing a benefit to employees.

The typical cost to an employer of providing an employee with a car priced at £20,000 is about £9,000 a year (including private fuel and Class 1A national insurance contributions).

The cost (including employer's National Insurance contributions) of paying an employee a sufficient cash allowance to operate a similar car himself out of after-tax earnings is

about £12,500 a year.

Employees understand this quite well. Our recent survey, Company Cars and Flexible Benefits, shows that 90 per cent of employees who are offered a cash allowance instead of a company car choose to stick with the cars. The average cash allowance of £8,000 a year for £20,000 cars is not sufficient in most cases to persuade them to take on the costs of running their own cars.

Michael Landon, senior consultant, The Wyatt Company (UK), Park Gate, 21 Totterhill Street, Westminster, London SW1H 9LL

Heritage taxed to extinction

From Mr Alan Ipekian.

Sir, Anthony Thornicroft's article, "Houghton Hall plans winter sale", (September 10/11) underscores the mutually exclusive ends of the Treasury and the Department of National Heritage: taxing the aristocratic domains to near extinction while seeking to pre-

serve the heritage of the nation. With little revenue and contents sold, maintenance costs coupled with unbridled taxation should surely end the greatness of any country house.

Alan Ipekian, 1400 Dixie Road, Suite 1403, Mississauga, Ontario, Canada

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL
Fax 071 873 5938. Letters transmitted should be clearly typed and not hand written. Please set fax for finest resolution

Policy change a threat to home owners

From Mr Andrew Longhurst.

Sir, Your report, "Plan to base mortgage benefit on 'standard' interest rate" (September 14) raises a number of issues. In December 1991 the Council of Mortgage Lenders and the government took a number of initiatives to help solve the problem of rapidly increasing mortgage possessions and arrears. Since that time the number of possessions has fallen by more than 35 per cent.

A key policy change was the agreement of the government

to make the payment of income support direct to mortgage lenders rather than to unemployed borrowers.

In the knowledge that income support would be paid direct, lenders agreed not to take possession in cases where mortgage interest payments are covered by income support.

Mortgage lenders generally currently adhere to that agreement. However, it will not be possible for them to do so if, as reported, income support payments are made on the basis of

a "standard" interest rate which is less than the mortgage interest due.

Under those circumstances no borrower claiming income support will be in a position where their interest payments are covered by the Department of Social Security. The inevitable result, in what now seems likely to be a period of rising interest rates, is an increase in the number of arrears and possessions, with consequent increased pressure on the government's social housing budget.

There is no getting away from the fact that, having encouraged people out of public rented accommodation into home ownership, the government is now considering cuts which will pull their hearth rugs from under them.

For many, losing their job will mean losing their home if income support for mortgage interest is cut back. Andrew Longhurst, chairman, Council of Mortgage Lenders, 3 Savile Road, London W1X 1AF

Absence of hat gives food for thought when choosing a restaurant

From Mrs C A McCann.

Sir, I refer to the FT guide, "Eating out in London", which accompanied the issue of September 10/11 and, in particular, to the photograph of Marco Pierre White of the Hyde Park Hotel Restaurant which accom-

panied your article, "Attractions of their own".

I was amazed that Marco Pierre White was not wearing his chef's hat, nor were any of his colleagues for that matter. Also, Mr White's long forelock appeared to be at a "danger-

ous" angle over the food he was working with. The photograph resembled a scene from "Joe's cafe" rather than a top London hotel.

By comparison, the chef at the Connaught Hotel, featured in "At a glance" on the oppo-

site page, is dressed in his "whites" and hat, as are his colleagues also pictured. In the circumstances, I think I will opt to dine at the Connaught! C A McCann, 46 West Drive, Coldeocote, Cambridge CB3 7NY

Enterprising university

From Professor Gordon Conway.

Sir, The University of Sussex was built "... far removed from the inner cities", according to John Authers and John Willman ("Dreaming spires on city rubble", September 10/11). But the campus is only 5 miles from the centre of Brighton, a town which has suffered more than most in the recession and is characterised by levels of unemployment and poverty normally associated with large conurbations.

Our response, in partnership with the University of Brighton, Brighton College of Technology, the local authorities and the Sussex Training and Enterprise Council, has been to create an academic cor-

ridor designed to stimulate the growth of enterprise based on 21st century technology.

We have raised £2m from Brighton and East Sussex councils and Seaboard for a flagship innovation centre which is to be launched next week as an event during the corridor's "Festival of Innovation".

We believe it is possible effectively to marry research of international and national excellence to significant growth in the local economy, and that the key to success lies in this kind of partnership.

Gordon Conway, vice-chancellor, University of Sussex, Falmer, Brighton BN1 9RH

Root out 'spiv' culture too

From Mr Neil Kerr.

Sir, It is encouraging that Mr John Major has declared war on "yob culture" ("Major attacks 'yob culture' in fresh law and order drive", September 10). Perhaps his next campaign could address problems arising from a similarly evi-

dent - and equally pernicious - "spiv culture". But maybe, as a predecessor, Sir Robert Walpole, discovered in an earlier century, this culture has its roots far too close to home.

Neil Kerr, 108 Barnsbury Street, London N1 1EP

COMPANY NEWS: UK

Shares shed 15p on cautious statement about second half trading

Next advances 60% to £37m

By Neil Buckley

Cautious statements on future trading led to a 15p fall in the share price of Next, the fashion retailer, to 243p, in spite of a 60 per cent rise in interim pre-tax profits from £22m to £36.9m.

The profits exceeded forecasts of between £32m and £35m, and the interim dividend is raised 83 per cent from 1.5p to 2.75p - beating the highest forecasts of 2.5p.

Next also said sales were currently running 13 per cent ahead of last year.

However, the market seized upon a warning from Mr David Jones, chief executive, that Next would come up against "more demanding" comparative sales figures in the months before Christmas, which might make it difficult to maintain the same percentage growth.

He said sales at this stage last year were running 10 per cent ahead of 1993, but by Christmas the total increase had reached 18 per cent.

His caution led to fears that Next's recovery since the early 1990s was largely complete and that future growth would be slower.



David Jones: difficult to maintain same percentage growth

"They made it quite clear it is going to be difficult to get much more out of the business," said Mr Nick Hawkins, retail analyst at Kleinwort Benson.

Next is trying out four stores in the US, but said it would not decide whether to expand there until next year. US trading losses and start-up costs were £900,000, down from £1.1m last year.

The group is also launching the natural cosmetics chain Bath & Body Works in the UK, in a 50:50 joint venture with The Limited, the chain's US parent. It expects to have five stores trading by Christmas.

Group sales in the six months to July 31 increased from £233.2m to £274.5m, and operating profits from £20.1m to £32.9m.

That represented an increase in operating margin from 8.6 per cent to almost 12 per cent.

Mr Jones said there was little inflation in selling prices, and the amalgamation of Next's high street and mail order ranges had enabled it to get better buying terms from suppliers.

Sales in Next's 302 stores increased by 19 per cent to £191.6m (£160.9m), with operating profits up from £11.8m to £19.1m. Mr Jones said Next would continue to try to increase the size of some of its stores.

Turnover in Next Directory, the mail order division, also rose by 19 per cent, from £46.5m to £55.3m, and operating profits from £3.5m to £5.9m.

Total profits from the Club 24 credit management business were unchanged at £5.9m.

Profits from other activities, including property and the Callscan software business, were £2.9m.

Net interest receivable was £4m (£2.9m). After tax of £9.7m (£2.6m) earnings per share worked through at 7.3p compared with 5.5p.

Harrods prepares Kurt Geiger for market

By Neil Buckley

Harrods Holdings, the group owned by the Fayed brothers which includes the famous London department store, is preparing Kurt Geiger, its upmarket shoe retailing subsidiary, for a stock exchange flotation next year.

The group has confirmed Mr James Walsh, who has been chief executive of Kurt Geiger for several months, in the role and said it was the beginning of a process "intended to lead to flotation as a public company next year". That would include the appointment of a non-executive chairman.

Mr Walsh, 45, was previously group finance director. His successor in that role is Mr Omar Bayoumi, 39, recruited from SG Warburg, the merchant bank, where he played a prominent part in the Fayed's £413m flotation of the House of Fraser department store chain. Mr Bayoumi will also be chief financial officer of Harrods department store.

Kurt Geiger is one of several businesses, including Turnbull & Asser, the shirt maker, and the Carlton Highland Hotel in Edinburgh, that remained with Harrods when House of Fraser was floated.

It has two trading names, Kurt Geiger and Carvela, with 110 outlets in the UK, including standalone stores in London's Bond Street and Sloane Street, and many concessions in department stores - particularly in House of Fraser. It is the biggest shoe retailer in London stores.

It made operating profits last year of £4m on sales of £53.6m. Analysts said those figures suggested a flotation might value the business at about £30m-£40m.

Harrods said Kurt Geiger stood "an extremely good chance of trading successfully as an independent company".

Midland Independent doubles after listing

By Raymond Snoddy

Midland Independent Newspapers, publisher of the Birmingham Post and Mail, yesterday published its first results since listing on the London Stock exchange, with pre-tax profits more than doubled to £4.8m for the six months to the end of June.

Pro-forma profits, stripping out the effects of interest on debt left over from a management buy-out, saw a rise of 28 per cent to £7.7m (£5.9m).

Mr Chris Oakley, chief executive of MIN, who also publishes specialist magazines, said: "Prospects for regional newspapers are good and we have identified opportunities for expansion by a number of newspaper launches." Talks are under way about possible acquisitions.

He emphasised that the group was successfully countering the national newspaper price-cutting war and that the circulations of the Birmingham

Post, the Coventry Evening Telegraph and the Sunday Mercury had actually increased. There had been extra costs owing to "unprecedented levels of sales promotion".

Mr Oakley said the fact that the Birmingham Post had increased circulation demonstrated "the strength of regional newspapers".

The results came the day after MIN announced that it had teamed up with Mirror Group to develop cable television programming. Mirror plans a 24-hour cable channel and MIN will produce local programmes for the Birmingham area. Mr Oakley believes the local Birmingham segments could begin at two to three hours a day and increase to five to six hours a day.

The company's free newspapers in Birmingham, which have been loss-makers in the first half of 1993, have now come into profit. The profit margin on the group's newspaper publishing operations is

slightly down at 20.3 per cent, reflecting the impact of a full half year's contribution from lower margin free weeklies in the East Midlands.

Following the March public offer, which raised £96m net of expenses at the end of June, MIN's net borrowings stood at £27.8m, down from £134.8m at the end of December.

Operating profits were up 15 per cent to £8m (£7.8m) on turnover that rose from £37.7m to £45m. Earnings per share were up at 3.81p (2.59p) - pro forma an increase of 22 per cent to 5.14p (4.21p). The interim dividend is 1.1p.

Sir Norman Fowler, chairman, said although total advertising revenue grew there were wide variations across categories. Recruitment advertising showed strong growth while cars and property had yet to show significant improvement.

Pre-tax profits for the full year are expected to be £15m to £18m. The share price closed 14p down at 140p.

Bruntcliffe jumps and sells lossmaker

Bruntcliffe Aggregates, the quarry and quarry products group, reported pre-tax profits sharply up from £132,000 to £792,000 in the six months to end June.

Despite "unusually severe weather conditions during the first quarter" in Scotland and the US, volumes in the aggregates business recovered well, the directors said, and profitability in the division had exceeded budget.

The performance of Lorasen Coal in the US continued to be disappointing with losses of £374,000. It is being sold to Lorasen Inc, a subsidiary of Mineral & General Investments, for £2.42m (£1.56m).

Turnover totalled £9.4m (£9.05m), with £2.06m from acquisitions.

An interim dividend of 0.4p is being paid from earnings per share of 0.9p (1.1p).

44% rise in malt sales helps Macallan-Glenlivet to £2.6m

By Roderick Oram, Consumer Industries Editor

A surge in sales of Macallan single malt whisky helped Macallan-Glenlivet lift interim pre-tax profits by almost one-fifth from £2.18m to £2.58m.

In a Scotch market that remains sluggish after the recession, Macallan single malt sales rose 44 per cent overall with the UK and US showing gains of more than 30 per cent.

"This is some kind of realisation of all the work we've done over the years," said Mr William Phillips, managing director. All of its more than 25 export markets were profitable. Several analysts, surprised by the jump, attributed some of the rise to restocking by Macallan's distributors and the effect of new distribution agreements made in recent

years. Sales to drinkers were thought to have risen more slowly.

The second-half advance would be more moderate, Mr Phillips added, but the trend was to a "significantly higher level of growth" than in the past.

On turnover of £7.14m (£6.49m) for the six months to June 30, operating profits rose 25 per cent from £1.88m to £2.34m thanks to increased volume and cost savings. Net interest received slipped from £279,000 to £233,000.

The interim dividend is increased to 0.41p (0.36p) on earnings per share of 1.57p (1.37p).

New fillings, purchases by blenders of Macallan's newly distilled spirits, fell by 30 per cent from a year earlier. The decline, which began several

years ago, should bottom out this year, Mr Phillips said. Sales could begin to recover next year but would certainly do so in 1995.

Confident of growth, Macallan's has stepped up its whisky stocks and is finishing off the fitting out of a 35m litre warehouse built in 1989.

CH Bailey in red

CH Bailey, whose principal activities are engineering, ship repairing, leisure and business and financial management, incurred pre-tax losses of £169,710 for the year ended March 25 1994, compared with profits of £446,579. Turnover was down 27 per cent from £3.71m to £2.7m.

Losses per share were 0.32p (0.74p earnings).

Another warning from Betterware

By Peggy Hollinger

Betterware, the direct selling group, lost more than a third of its market value yesterday as it issued its third profits warning in five months.

The company's shares fell by 23p to 50p, having plummeted over the last 14 months from a peak of 77p. Analysts pulled back full-year forecasts from £11m to about £9m.

Mr Andrew Cohen, chief executive, said first half operating profits were not expected to be more than £4m, compared with £7m last year.

The decline was blamed on difficulties recruiting people to distribute catalogues in the UK, stock delivery problems arising from the move to a new distribution centre, and increased investment in inter-

national expansion. Betterware has committed to provide up to \$5m (£3.2m) over time in a joint venture, also announced yesterday, with Avon, the world's largest direct seller of beauty products, to sell household products in North and South America.

Mr Cohen said the cash-rich Betterware was not in any serious difficulty, in spite of the market's reaction. "We have an exemplary record on past performance, we make full disclosure, comply with Cadbury. We have never failed to do something we said we would do. The one thing we have failed to do is meet analysts' expectations," he said.

The group issued a caution on trading in May with its annual results and again in July.

Quebecor ends offer talks with Hunterprint

By Paul Taylor

Quebecor, the Canadian publishing and forestry group, has ended its discussions with Hunterprint, the loss-making UK printer.

The Montreal-based newspaper publisher and commercial printer, announced last month that it was considering making an offer for debt-laden Hunterprint.

In a brief statement yesterday Hunterprint's board said it understood Quebecor had decided not to proceed, "as a result of a change in its strategic plans".

The statement added that Hunterprint was trading in line with the projections it had supplied to its bankers when it sold Hardy Printers, its only active subsidiary, to a management buy-out team for £1.85m in early August.

day Hunterprint's board said it understood Quebecor had decided not to proceed, "as a result of a change in its strategic plans".

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Pearson ups Recoletos stake to 47%

By Raymond Snoddy

Pearson, the media and entertainment group, has increased its stake in Recoletos, the Spanish publishing group, to 47 per cent.

The additional stake of 8 per cent cost about £12.4m, valuing the company, which publishes Expansion, the business and financial daily, at about £155m.

Mr Frank Barlow, managing director of Pearson, bought a small stake in Recoletos more than five years ago when he was chief executive of the Financial Times. It was part of a policy of taking stakes in publishers of business and financial titles around the world. Since then Pearson has been building its stake in the group with the consent of the Spanish shareholders.

It seems likely that Pearson will eventually take control of the group, which also publishes Marca, Spain's top seven-days-a-week sports paper. The Recoletos titles also include Telva, a women's magazine, and Diario Medico, a daily medical paper.

Correction S&U chairman

Mr Derek Coombs, chairman of S&U, was incorrectly named in a report on the consumer credit company's results published yesterday.

RBC sells fund investment activity

Royal Bank of Scotland has reached a tentative agreement to merge, Capital House Investment Management, its fund management subsidiary, with Newton Investment Management. The deal would create a new entity, writes Norma Cohen.

The move creates a new institution with about £5bn under management. RBS said last spring it was holding talks with Newton, one of the most successful UK managers of institutional pension fund assets. It has about £5bn of assets under management.

The move stunned the industry. Newton has a policy of limiting the pace of its

expansion, saying it will never take on more new assets than it can successfully manage.

Mr Jonathan Powell, marketing director at Newton, said the privately-held group agreed to the transaction because it would greatly expand its non-pension fund investment activities. Two-thirds of Capital House's assets are those of private clients, unit trusts and Personal Equity Plans.

In addition RBS would market Newton-managed unit trusts exclusively through its 750-branch network.

Under the terms RBS will take a 33.16 per cent stake in the new company by

transferring all of Capital House's share capital to Newton in exchange for new Newton shares and the purchase of existing shares from Newton shareholders. These include Mr Stewart Newton, a founding partner and about 50 others. The deal, which is expected to be concluded before November 30, allows some of the partners to be paid in long-term notes which can be exercised at a time when it will be tax advantageous for them to do so.

It has also been agreed in principle that Newton will have the right to require Royal Bank to subscribe for up to £10m of cumulative redeemable preference shares.

Seeking support from a competitor

Norma Cohen on the background to Newton Investment's expansion

The decision by Newton Investment Management to merge with RBS, arguably the most successful independent pension fund manager in the UK, to take over the assets of a much weaker competitor is a sign of the times.

The move surprising, however, because Newton has made much of its desire to slow its expansion, closing its doors to new clients for a two-year period in mid-1992.

While fund management companies concentrated furiously on building up their roster of blue-chip pension scheme clients in the 1980s, retail services at most houses faded to the background.

But now, with pension fund regulatory reform on the horizon, and a growing recognition of the flexible quality of pension fund business, fund manage-

ment companies are re-thinking their client acquisition.

Recently, several leading fund managers, including Mercury Asset Management, the largest in the UK, have decided to concentrate on building up their retail businesses for fear of becoming too vulnerable to a downturn in the pension fund market.

"From Newton's point of view, we have a lot of dependency on one area of the business. We want to diversify," said Mr Jonathan Powell, marketing director.

About four-fifths of Newton's existing £5bn in assets under management are those of pension schemes, with the balance split between private client funds and retail products such as unit trusts and Personal Equity Plans.

"Private clients will stick

with you through thick and thin as long as you continue to put it for them over time," Mr Powell said. "Pension funds are volatile and will sack you immediately."

Newton has calculated that it needs a mix of businesses if it is to be able to count on long-term growth. The movement of pension funds into the hands of fund managers is largely determined by a handful of pension consultants.

If Newton should lose favour with these, its future would be in doubt, Mr Powell said.

The mix of business at Capital House Investment Management, the subsidiary of Royal Bank of Scotland, with which Newton is merging, is almost a mirror image. Capital House has only one big pension fund client, Royal Bank's own pension scheme with about £1bn

in assets. The remainder of its £5bn is in retail funds and private client assets.

Their performances also contrast greatly. Data from Combined Actuarial Performance Services show that in 1993, Newton's median segregated pension fund returned 37.4 per cent against an industry median of 29.2 per cent.

By contrast, the RBS Pension scheme earned returns 5 percentage points below the CAPS median in 1993.

However perhaps the most significant reason for Newton was the access the merger would give it to a distribution outlet for its retail funds.

"The big growth in the retail area is through bancassurance," Mr Powell said. "We are the only independent fund manager with access to a bancassurance outlet."

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Company - pending dividend	Total for year	Total last year
Bruntcliffe	0.4	Oct 31	-	-	0.5
By (Wentlewood)	2	Dec 5	1.5	-	3
Kaiser	0.5p	Oct 5	-	-	-
Macallan	0.41	Nov 8	0.38	-	1.1
Midland Ind News	1.1	Oct 27	-	-	-
Next	2.75	Jan 3	1.5	-	5.5
ONS	0.5	Nov 4	0.7	-	2.1

Dividends shown pence per share net except where otherwise stated. *On increased capital. *US\$M stock. *Foreign income payment.

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Australian property portfolio could be worth up to A\$500m

Hammerson sale attracts MEPC

By Simon Davies

MEPC, the UK's second largest property company, has joined a large number of property investors negotiating the purchase of Hammerson's Australian property portfolio. The portfolio was valued at £176.9m in December, but could fetch as much as A\$500m (£238m).

Under the guidance of Mr Ron Spence, who took over as chief executive 15 months ago, Hammerson has been looking to re-align its portfolio, concentrating on the UK and continental Europe.

It has received approaches from up to seven investment groups, and has indicated that it plans to sell its entire portfolio, assuming sufficiently attractive prices.

The main asset in the portfolio is the 1.05m sq ft Warringah Mall shopping centre, the second largest in the country, which is situated on Sydney's north shore. The centre is fully let, and Hammerson has planning permission for an extension.

MEPC Australia has confirmed that it is interested in the portfolio, as has AMP Investment, the investment arm of the Australian insurance group.

MEPC recently raised A\$1bn in debt to fund Australian acquisitions. Other interested parties are understood to include Lend Lease, Bankers

Trust and Schroders. Hammerson has made it clear that it is in no hurry to dispose of these assets, which were marked down by close to 30 per cent in the previous two years.

However, Australian property values have surged this year and analysts estimate that by the year end the Hammerson portfolio could be up to 10 per cent, with stronger growth to come in 1995.

The bulk of the portfolio was acquired during the early 1970s, although the Warringah Mall development was started in 1983.

Investors' attention has been focused on the retail development. At the year end Communications House and 500 Collins Street, both Melbourne office properties, had occupancy rates of only 14.7 per cent and 68.5 per cent respectively. The portfolio had a 1993 rental income of £16.3m.

Hammerson has gearing of about 60 per cent and is expected to have year end net debt of about £750m. The sale could cut its debt by close to one-third and save the group about £1m a year in administration costs.

Analysts said Hammerson would have to find attractive pricing to justify the Australian sale, as the portfolio currently offers a yield of about 9 per cent.

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Montague told of loan plans says Royal Bank

By Simon Davies

The Royal Bank of Scotland claims it held lengthy discussions over its £2.3m loan to Mr Robert Montague, Tiphook's founder and chief executive, and gave him one week's notice before issuing its bankruptcy petition.

The bankruptcy proceedings were revealed to Mr Montague by a shareholder's representative at Thursday's annual meeting, where he had been attacked for his excessive remuneration.

Mr Montague appeared shaken by the news. He is adamant that he is not in financial difficulties, and had no forewarning of the bank's move.

He has retained the support of Tiphook's own bankers and Mr Ian Clubb, its newly-appointed chairman. Both confirmed that their commitment to the group was unaffected by Mr Montague's personal financial position.

However, if he were to be declared bankrupt, he would have to step down from the board which has declared that he is key to its survival.

The loan is understood to be linked to Mr Montague's farming businesses in Oxfordshire. It appears that changes in the terms of the loan had been under negotiation for some time.

Mr Montague has sold his Highland cattle breeding activities due to high costs. But with homes in Oxfordshire and Northampton, and a notoriously high salary, he was always considered a man of substantial means.

The petition was announced by Mr Paul Snook, an accountant with Buehler Phillips, who said he was acting as proxy for Lehman Brothers, and had learnt of the moves through standard enquiries.

It appears that Mr Snook also held a proxy on behalf of Ms Carole Ritchie, as a representative of Pickering Kenyon solicitors, who are retained legal advisers to the plaintiffs in the US class action against Tiphook.

Mr Montague has six weeks to resolve his differences.

Turnover of £123.1m (£119.7m) as UK markets emerged from recession. Office products made £1.2m (£280,000) on sales of £10.6m (£10.1m).

Crean is hoping to buy the balance of Inisheach, probably in a share swap. Beyond that, the rights issue, which reduced borrowings to £18.8m for gearing of 15 per cent, should fund acquisitions across the group.

Group turnover totalled £128.3m (£120.9m), including £13.5m from discontinued operations. Earnings per share rose 11 per cent to 13.5p (12.2p) and the interim dividend is lifted 5 per cent to 5.25p.

Electrical wholesaling lifted profits to £1.1m (£300,000) on turnover of £123.1m (£119.7m) as UK markets emerged from recession. Office products made £1.2m (£280,000) on sales of £10.6m (£10.1m).

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Tropical storm disrupts Geest's banana supplies

By David Blackwell

Banana supplies to Geest, whose shares fell sharply early in the year following disease on its Costa Rican plantations, have been hit by a tropical storm in the Windward Islands.

Shares in the group fell 30p to 21p, almost half the year's high of 37p.

Tropical Storm Debbie hit the islands a week ago, causing extensive flooding around St Lucia and damage to roads and bridges. Geest, which is under contract to ship all the islands' bananas, estimates that output will be 40 per cent down.

It expects to load only 2,400 tonnes a week, compared with a normal load of 4,000 tonnes. The islands, which usually provide more than half the group's total banana volume, are not expected to return to full production until the end of next year.

The EC's Banana Management Committee, which meets next Wednesday, will consider how the disaster should be treated under the banana import regime.

Mr David Sugden, Geest's chief executive, said the group was lobbying the European Commission to allow it to buy bananas from other sources to make up the shortfall, and import them into the UK at the same tariff.

He attacked the political uncertainty still surrounding the regime, as it is unclear whether the commission has the power to determine the tariff on alternative supplies. "It is a nonsense that, a year into



David Sugden: seeking permission to buy from other sources

the regime, we are sitting here in this position because of an incident that was eminently foreseeable."

He is expecting some support from the French as the banana industry in Martinique also suffered from the storm.

Geest will announce its interim results next Thursday. The City is expecting about £12m, against £3.5m, following improved banana prices.

US advance helps Keller to £3.01m

By Richard Wolfe

Keller, the international ground engineering company, reported a 40 per cent rise in pre-tax profits for the six months to June 30 after strong sales in North America.

Profits rose from £2.15m to £3.01m in its first results since flotation in April, when shares were priced at 130p giving a market capitalisation of £72.8m. Yesterday the shares closed up 3p at 129p.

Turnover was £88.1m (£85.5m), including £10.5m from acquisitions, and operating profit rose 28 per cent to £3.6m (£2.83m) after a £400,000 contribution from Case

International, the Chicago-based foundation engineer acquired in January. Mr Michael West, chief executive, said: "Our order books at the half-year were well ahead of the same time last year, and that stronger order book was still in place at the end of August."

In North America sales increased from £13.5m to £28m, helped by the Case purchase for profits of £1.35m, compared with £798,000.

In Germany trading volumes remained high although the group, a former engineering offshoot of GKN, warned of tightening margins in western Germany where market conditions were increasingly competitive. Continental Europe contributed profits of £1.75m (£1.73m) on turnover of £47.2m (£43.5m).

UK turnover was £13.3m (£12.7m) and profits more than doubled to £345,000 (£101,000), reflecting improved trading conditions and the start of infrastructure projects on the Jubilee underground line and Heathrow Airport rail link.

Group net interest costs fell to £681,000 (£699,000). Net borrowings at the period end were £4.4m for gearing which would be reduced to 14 per cent.

An interim foreign income dividend of 0.5p is being paid from earnings per share up at 4.5p (2.4p).

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CURRENCIES AND MONEY

MARKETS REPORT

Dollar struggles

Renewed US inflation fears yesterday prompted a sharp fall in the dollar on foreign exchanges, writes Philip Gammie.

A jump in the August capacity utilisation figures caused bonds to plummet, and the dollar followed suit. It closed in London at DM1.5376, down from DM1.55 earlier in the day, and at ¥98.55, down from ¥99.20.

Sterling was a beneficiary of the dollar's weakness, touching a sixteen month high of \$1.5870 before slipping back below \$1.58 in late trade. It was also stronger against the D-Mark, spiking above DM2.44 in late trade, compared to Thursday's close of DM2.4183. The trade weighted index finished at 79.3, from 79.2.

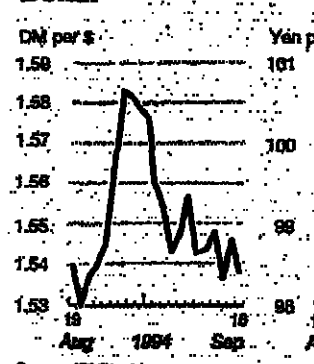
The D-Mark was generally weaker in Europe, finishing at L1.011 against the lire, from L1.012. Against the French franc it closed at FF3.418, from FF3.422. The Swiss franc

also considered its upward progress, closing at Sfr0.831 from Sfr0.83.

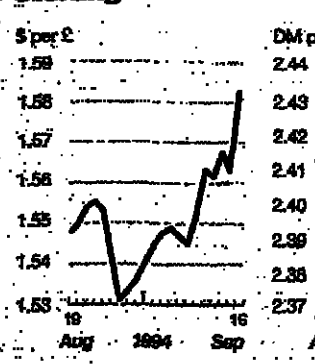
Although the dollar is only about one pennie, and two yen, above its July lows, some analysts were impressed at its resilience. Mr David Cocker, economist at Chemical Bank, commented: "The dollar has performed rather well today considering the way the bond market has performed."

In recent weeks the market has been less keen to sell the dollar, leading some analysts to hint at a possible change in sentiment. The dollar, however, still faces some serious short-term obstacles. One is the markets' fear that the US Federal

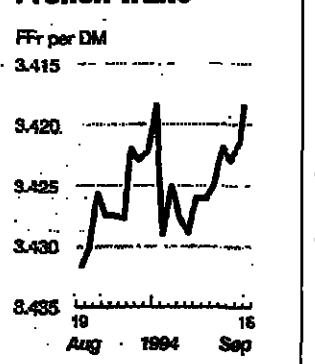
Dollar



Sterling



French franc



Reserve is "behind the game" in combating inflation. The dollar is unlikely to recover after the German elections.

The Hattt issue, and the US-Japan trade talks, which reach an end of month deadline, both have the potential to cause dollar selling.

Against an environment of generalised D-Mark weakness, the Swiss franc continued to strengthen. Two factors supporting it were the Hattt invasion talk -

"If you have a safe haven, it is the Swiss franc," commented one analyst - and the traditional strength in the franc ahead of German elections.

Sterling was also a notable beneficiary of the D-Mark's weakness, but analysts said there was also an element of independent strength.

"The psychology of the market was transformed by Mr Clarke's decision to raise interest rates. The prospects for sterling have improved dramatically," said Mr Cocker. He said that rates had been

raised two months ahead of market expectations. "It is not known in the UK for chancellors to do that. It could be seen as a radical change in UK monetary management."

The larger than expected August FBR figure, and the downturn in the gilts market hit short sterling. All the 1995/1996 contracts lost about 15 basis points.

In its daily operations the Bank of England provided UK money markets with £270m late assistance. Earlier it had

provided £100m assistance, at established rates, after forecasting a £500m shortage.

Euromark contracts also lost ground, with rumours in the market that interest rate hikes on the Bundesbank council were beginning to flex their muscles.

Other currencies

ROUND SPOT FORWARD AGAINST THE POUND

Country	City	Close	Change	Mid	High	Low	One month	Three months	One year	Bank
Europe										
Austria	(Sfr)	17.1919	+0.0008	625	712	17.1718	16.9703	17.1875	0.3	17.1457
Belgium	(Ffr)	10.1178	+0.0003	881	424	10.1150	10.0880	10.1128	-0.4	10.0778
Denmark	(DKr)	9.0049	+0.0003	008	098	9.0012	8.9903	9.0008	-0.3	8.9916
Finland	(Fmk)	7.7883	+0.0009	898	077	7.7810	7.7150	-	-	7.7150
France	(Ffr)	6.5259	+0.0017	210	300	6.5212	6.5270	6.5264	0.1	6.5267
Germany	(DM)	2.4356	+0.0013	343	398	2.4327	2.4079	2.4348	0.6	2.4304
Greece	(Dr)	370.738	+4.173	830	822	371.705	368.084	-	-	368.084
Ireland	(Ir£)	1.5160	+0.0007	101	168	1.5174	1.0098	1.016	0.1	1.0171
Italy	(Lira)	2462.89	+15.85	171	878	2454.18	2433.71	2461.29	-0.4	2454.89
Luxembourg	(Ffr)	2.7113	+0.0003	861	494	2.7100	2.6880	2.7100	0.3	2.6880
Netherlands	(Gld)	2.7317	+0.0010	300	328	2.7325	2.6883	2.7304	0.4	2.7272
Norway	(Nkr)	10.8838	+0.0003	788	838	10.8891	10.8742	10.8834	0.0	10.8839
Portugal	(Esc)	248.015	+1.576	818	212	248.240	246.381	248.745	0.4	249.252
Spain	(Pes)	202.303	+1.586	185	482	202.484	199.855	202.714	-2.4	203.279
Sweden	(Skr)	11.7689	+0.0047	529	722	11.7737	11.7810	11.7818	-1.9	11.7821
Switzerland	(Sfr)	2.0212	+0.0016	188	228	2.0201	2.0200	2.0188	-1.4	2.0188
UK	(£)	-	-	-	-	-	-	-	-	-
USA	(\$)	1.5870	+0.0007	772	791	1.5872	1.5871	1.5876	-0.3	1.5876
SDR		-	-	-	-	-	-	-	-	-
Americas										
Argentina	(Peso)	1.5833	+0.0008	827	838	1.5842	1.5814	-	-	-
Brazil	(R)	1.3529	+0.0017	375	578	1.3551	1.3395	-	-	-
Canada	(C\$)	2.1392	+0.0008	382	402	2.1408	2.1222	2.1387	0.3	2.1386
Mexico	(New Peso)	5.2811	+0.0002	700	878	5.2809	5.2801	-	-	-
USA	(\$)	1.5840	+0.0005	835	845	1.5870	1.5822	1.5833	0.5	1.5815
Asia/Pacific										
Australia	(A\$)	1.2822	+0.0008	276	308	1.2810	1.2816	1.2821	0.0	1.2835
Hong Kong	(HK\$)	12.2448	+0.0002	107	122	12.2448	12.2387	0.4	12.2341	0.0
India	(Rupee)	48.6881	+0.0072	704	058	48.7030	48.0140	-	-	-
Japan	(Y)	156.388	+1.205	497	875	156.730	154.650	158.218	0.6	158.316
Malaysia	(M\$)	4.0475	+0.0018	454	485	4.0501	3.9890	-	-	-
New Zealand	(NZ\$)	2.0212	+0.0002	221	281	2.0203	2.0200	2.0206	-1.8	2.0206
Philippines	(Peso)	41.0256	+0.0018	880	885	41.0350	40.6910	-	-	-
Saudi Arabia	(Riyal)	5.9407	+0.0008	398	428	5.9457	5.8893	-	-	-
Singapore	(S\$)	2.3481	+0.0021	476	508	2.3513	2.3185	-	-	-
S Africa (Cm)	(Rand)	5.2811	+0.0002	700	878	5.2809	5.2801	-	-	-
S Africa (Fin)	(Rand)	6.9778	+0.0044	895	858	6.9865	6.9037	-	-	-
South Korea	(Won)	128.678	+0.008	848	887	128.687	124.932	-	-	-
Taiwan	(NT\$)	41.5289	+0.0054	130	448	41.5439	40.9408	-	-	-
Thailand	(Baht)	53.2887	+0.0001	804	870	53.2900	53.0340	-	-	-

SDR rates for Sep 16. Bid/offer rates in the Pound Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. Sterling bank rates are quoted in US dollars. Euro and other rates in both the Dollar and the Pound Spot table are implied by the LIBOR/FRB CLOSING SPOT RATES. Some rates are rounded by the FT.

CROSS RATES AND DERIVATIVES

Country	City	Close	Change	Mid	High	Low	One month	Three months	One year	Bank
Europe										
Austria	(Sfr)	17.1919	+0.0008	625	712	17.1718	16.9703	17.1875	0.3	17.1457
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D-MARK FUTURES (MM) DM 125,000 per DM

Open	High	Low	Close	Settle	Open Int.
Sep	0.6445	0.6480	0.6455	0.6455	10,289
Oct	0.6481	0.6480	0.6455	0.6455	67,234
Nov	0.6475	0.6485	0.6485	0.6470	295

JAPANESE YEN FUTURES (MM) Yen 12.5 per Yen 100

Open	High	Low	Close	Settle	Open Int.
Sep	1.0282	1.0310	1.0282	1.0274	3,984
Oct	1.0282	1.0310	1.0282	1.0274	37,062
Nov	1.0282	1.0310	1.0282	1.0274	25

STERLING FUTURES (MM) £100,000 per £

Open	High	Low	Close	Settle	Open Int.
Sep	1.5854	1.5730	1.5854	1.5854	2,164
Oct	1.5854	1.5730	1.5854	1.5854	2,164
Nov	1.5854	1.5730	1.5854	1.5854	212

THREE MONTH EURO DOLLAR FUTURES (LFF) DM1m points of 100%

Open	High	Low	Close	Settle	Open Int.
Sep	94.94	94.80	94.80	94.80	16,780
Oct	94.94	94.80	94.80	94.80	16,780
Nov	94.94	94.80	94.80	94.80	16,780

THREE MONTH EURO DOLLAR INT-RATE FUTURES (LFF) £1m points of 100%

Open	High	Low	Close	Settle	Open Int.
Sep	91.30	91.30	91.30	91.30	2,907
Oct	91.30	91.30	91.30	91.30	2,907
Nov	91.30	91.30	91.30	91.30	2,907

THREE MONTH EURO DOLLAR INT-RATE FUTURES (LFF) £1m points of 100%

week ago	4 84	5.01	5.02	5.16	5.48	-	5.26	-
Switzerland	3 1/4	3 3/4	4	4 1/2	4 3/4	6.625	3.50	-
week ago	3 1/4	3 3/4	4 1/2	4 3/4	4 3/4	6.625	3.50	-

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Yield	Red	Other	% of
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Yield

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INVESTMENT TRUSTS - Cont.

Trust Name	Price	1994	1993	1992	1991	1990	1989	1988	1987	1986	1985	1984	1983	1982	1981	1980	1979	1978	1977	1976	1975	1974	1973	1972	1971	1970	1969	1968	1967	1966	1965	1964	1963	1962	1961	1960	1959	1958	1957	1956	1955	1954	1953	1952	1951	1950	1949	1948	1947	1946	1945	1944	1943	1942	1941	1940	1939	1938	1937	1936	1935	1934	1933	1932	1931	1930	1929	1928	1927	1926	1925	1924	1923	1922	1921	1920	1919	1918	1917	1916	1915	1914	1913	1912	1911	1910	1909	1908	1907	1906	1905	1904	1903	1902	1901	1900	1899	1898	1897	1896	1895	1894	1893	1892	1891	1890	1889	1888	1887	1886	1885	1884	1883	1882	1881	1880	1879	1878	1877	1876	1875	1874	1873	1872	1871	1870	1869	1868	1867	1866	1865	1864	1863	1862	1861	1860	1859	1858	1857	1856	1855	1854	1853	1852	1851	1850	1849	1848	1847	1846	1845	1844	1843	1842	1841	1840	1839	1838	1837	1836	1835	1834	1833	1832	1831	1830	1829	1828	1827	1826	1825	1824	1823	1822	1821	1820	1819	1818	1817	1816	1815	1814	1813	1812	1811	1810	1809	1808	1807	1806	1805	1804	1803	1802	1801	1800	1799	1798	1797	1796	1795	1794	1793	1792	1791	1790	1789	1788	1787	1786	1785	1784	1783	1782	1781	1780	1779	1778	1777	1776	1775	1774	1773	1772	1771	1770	1769	1768	1767	1766	1765	1764	1763	1762	1761	1760	1759	1758	1757	1756	1755	1754	1753	1752	1751	1750	1749	1748	1747	1746	1745	1744	1743	1742	1741	1740	1739	1738	1737	1736	1735	1734	1733	1732	1731	1730	1729	1728	1727	1726	1725	1724	1723	1722	1721	1720	1719	1718	1717	1716	1715	1714	1713	1712	1711	1710	1709	1708	1707	1706	1705	1704	1703	1702	1701	1700	1699	1698	1697	1696	1695	1694	1693	1692	1691	1690	1689	1688	1687	1686	1685	1684	1683	1682	1681	1680	1679	1678	1677	1676	1675	1674	1673	1672	1671	1670	1669	1668	1667	1666	1665	1664	1663	1662	1661	1660	1659	1658	1657	1656	1655	1654	1653	1652	1651	1650	1649	1648	1647	1646	1645	1644	1643	1642	1641	1640	1639	1638	1637	1636	1635	1634	1633	1632	1631	1630	1629	1628	1627	1626	1625	1624	1623	1622	1621	1620	1619	1618	1617	1616	1615	1614	1613	1612	1611	1610	1609	1608	1607	1606	1605	1604	1603	1602	1601	1600	1599	1598	1597	1596	1595	1594	1593	1592	1591	1590	1589	1588	1587	1586	1585	1584	1583	1582	1581	1580	1579	1578	1577	1576	1575	1574	1573	1572	1571	1570	1569	1568	1567	1566	1565	1564	1563	1562	1561	1560	1559	1558	1557	1556	1555	1554	1553	1552	1551	1550	1549	1548	1547	1546	1545	1544	1543	1542	1541	1540	1539	1538	1537	1536	1535	1534	1533	1532	1531	1530	1529	1528	1527	1526	1525	1524	1523	1522	1521	1520	1519	1518	1517	1516	1515	1514	1513	1512	1511	1510	1509	1508	1507	1506	1505	1504	1503	1502	1501	1500	1499	1498	1497	1496	1495	1494	1493	1492	1491	1490	1489	1488	1487	1486	1485	1484	1483	1482	1481	1480	1479	1478	1477	1476	1475	1474	1473	1472	1471	1470	1469	1468	1467	1466	1465	1464	1463	1462	1461	1460	1459	1458	1457	1456	1455	1454	1453	1452	1451	1450	1449	1448	1447	1446	1445	1444	1443	1442	1441	1440	1439	1438	1437	1436	1435	1434	1433	1432	1431	1430	1429	1428	1427	1426	1425	1424	1423	1422	1421	1420	1419	1418	1417	1416	1415	1414	1413	1412	1411	1410	1409	1408	1407	1406	1405	1404	1403	1402	1401	1400	1399	1398	1397	1396	1395	1394	1393	1392	1391	1390	1389	1388	1387	1386	1385	1384	1383	1382	1381	1380	1379	1378	1377	1376	1375	1374	1373	1372	1371	1370	1369	1368	1367	1366	1365	1364	1363	1362	1361	1360	1359	1358	1357	1356	1355	1354	1353	1352	1351	1350	1349	1348	1347	1346	1345	1344	1343	1342	1341	1340	1339	1338	1337	1336	1335	1334	1333	1332	1331	1330	1329	1328	1327	1326	1325	1324	1323	1322	1321	1320	1319	1318	1317	1316	1315	1314	1313	1312	1311	1310	1309	1308	1307	1306	1305	1304	1303	1302	1301	1300	1299	1298	1297	1296	1295	1294	1293	1292	1291	1290	1289	1288	1287	1286	1285	1284	1283	1282	1281	1280	1279	1278	1277	1276	1275	1274	1273	1272	1271	1270	1269	1268	1267	1266	1265	1264	1263	1262	1261	1260	1259	1258	1257	1256	1255	1254	1253	1252	1251	1250	1249	1248	1247	1246	1245	1244	1243	1242	1241	1240	1239	1238	1237	1236	1235	1234	1233	1232	1231	1230	1229	1228	1227	1226	1225	1224	1223	1222	1221	1220	1219	1218	1217	1216	1215	1214	1213	1212	1211	1210	1209	1208	1207	1206	1205	1204	1203	1202	1201	1200	1199	1198	1197	1196	1195	1194	1193	1192	1191	1190	1189	1188	1187	1186	1185	1184	1183	1182	1181	1180	1179	1178	1177	1176	1175	1174	1173	1172	1171	1170	1169	1168	1167	1166	1165	1164	1163	1162	1161	1160	1159	1158	1157	1156	1155	1154	1153	1152	1151	1150	1149	1148	1147	1146	1145	1144	1143	1142	1141	1140	1139	1138	1137	1136	1135	1134	1133	1132	1131	1130	1129	1128	1127	1126	1125	1124	1123	1122	1121	1120	1119	1118	1117	1116	1115	1114	1113	1112	1111	1110	1109	1108	1107	1106	1105	1104	1103	1102	1101	1100	1099	1098	1097	1096	1095	1094	1093	1092	1091	1090	1089	1088	1087	1086	1085	1084	1083	1082	1081	1080	1079	1078	1077	1076	1075	1074	1073	1072	1071	1070	1069	1068	1067	1066	1065	1064	1063	1062	1061	1060	1059	1058	1057	1056	1055	1054	1053	1052	1051	1050	1049	1048	1047	1046	1045	1044	1043	1042	1041	1040	1039	1038	1037	1036	1035	1034	1033	1032	1031	1030	1029	1028	1027	1026	1025	1024	1023	1022	1021	1020	1019	1018	1017	1016	1015	1014	1013	1012	1011	1010	1009	1008	1007	1006	1005	1004	1003	1002	1001	1000	999	998	997	99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Weekend FT

SECTION II

Weekend September 17/September 18 1994

The long road back to planet Earth

Battered and bewildered, Albania is slowly emerging from 50 years of isolation and dictatorship. David Lascelles reports

Tirana airport is not the best introduction to the changes which have rocked post-communist Albania in the past two years. Armed guards lounge around the perimeter under makeshift sunshades, and pill-boxes lurk sinisterly in the tall grass. The runway is bumpy, the terminal tatty.

As we drive out, I see a woman washing clothes in a ditch. The fields, parched by the sun, are enclosed by the mountains which Albania used to shut out the outside world for 50 years.

Closer to Tirana, though, signs of change multiply. Battered, but recognisably western, vehicles begin to proliferate and a huge Coca-Cola plant looms on our left. As we enter the city, the side of the road becomes a teeming bazaar of people selling car parts and piles of imported household knick-knacks. Every few yards, little kiosks with plastic tables and chairs dispense coffee.

The air is thick with dust and heat. At a roundabout, the traffic, now dense with buses and lorries, barges its way forward with much hooting and revving of smoky engines. The buses, I notice, have "Region de Bruxelles" written on the side. Albania already has a reputation as Europe's "last-hand" market for anything on wheels.

The roads are lined with uniform rows of cheaply built apartment blocks. At ground floor level are shops, but many have been abandoned: they served a planned economy which no longer exists. Business has shifted to the footpath kiosks or the new shops which people seem to erect wherever they like.

Our hotel, the Diplomat, is small but brand new, run up with Italian money. My room has all mod cons including a refrigerator, all of them working. I had been told that the water gets turned off several times a day in Tirana, but the hotel manages to maintain a steady supply.

We meet in the hotel café for a drink. A tall young waiter takes our order. He speaks perfect English with barely a trace of accent. He learnt it all at school, he informs us; he has never set foot outside Albania. (In later meetings, I was to see further evidence of the astonishingly high educational attainments of the Albanians - one positive legacy, at least, of the despised communists.)

We learn more about the previous regime on the way to our first official appointment at the industry ministry. The car ride takes us up the huge eight-lane boulevard which Enver Hoxha, the former dictator, built for a country with no private cars. It runs past the pyramid-shaped mausoleum which he erected for himself; this now con-



After the years of communism, land in Albania was transferred to private hands. Now agricultural output is rising at an official 14 per cent a year. Unofficially, it's much more

tains government offices.

The ministry occupies a large but faded Italianate building with the shutters hanging off. In a spacious, lemon-painted room with a long veneered table, Premier Consolidated Oilfields of the UK and Alpetrol, the Albanian state-owned oil company, sign a contract while crowds of Albanian reporters and television crews record the scene. In 1992, the new Democratic party, headed by Dr Sali Berisha, was swept to power with a plan to transform Albania into a market economy. There are now more than two dozen political parties. Information, once a state monopoly, swirls

around the country; satellite dishes are sprouting all over the place. I am shown a picture of a man taking one home on a mule.

The legacy of communism cannot be eradicated that easily, however. The die-hards are still around. So are the people who ran the neighbourhood spy networks which infiltrated the lives of every Albanian. Many of them got rich on the old system and have managed to preserve their wealth. They are now accused of fomenting unrest including, it is alleged, a recent demonstration by political prisoners of the communists who want more compensation. One of the big questions

is whether they are still powerful enough to derail the reform process. On the economic front, land, housing, small businesses and the entire bread-baking industry have been transferred to private hands; heavy industry will follow as soon as possible. There is unemployment and inflation, but not on the scale of Russia.

During the overthrow of communism, the crowds destroyed much of the productive economy: factories, shops, greenhouses, even trees. These shattered relics now litter the towns and countryside - a cost that Albania's tiny economy could have been spared. They even smashed

the breweries and ripped up the vineyards; Albania now has to import beer and wine. Before dawn the following morning, we set off by car to visit Albania's oilfields, 100 miles south of Tirana. The rising sun reveals a bleached landscape which might have belonged to the 19th century. Farmers travel to the fields with horses and carts; women tend the crops with hand tools; barefooted children scamper along the roads. Bulging haystacks stand in the farmyards.

My companion tells me that, two years ago, the plain we are passing was one huge field owned by the

state farm; today, it is dozens of tiny strips. Agricultural output in Albania is rising at an official 14 per cent a year but, unofficially, it is many times that. For the first time in the country's recorded history, the peasants really own the land, not the state or the big landlords.

Everywhere there are pill-boxes, erected by the paranoid communists: little ones in clusters, big ones at strategic points, all built with the best concrete available. They drained the economy and are now abandoned - but indestructible. There are said to be more than 1m of them, one for every hectare in the nation. At one point, we pass along the coast: miles of sand and waving pines, utterly unspoiled except for even more pill-boxes.

Progress on our journey is slow; horse-drawn carts congest the road, which is too narrow for easy overtaking. Many large lorries are broken down on the verge. Frustrated drivers overtake recklessly. We pass through several towns with dusty streets and raw concrete buildings. Many have brand new mosques and churches: religion is returning.

Finally, we come over the brow of a hill: there before us, stretching as far as the eye can see, is a forest of oil derricks. Greasy pools and rusting equipment defile the landscape and sheep graze in between the wells. British Petroleum discovered this field in the 1920s, the largest onshore field in Europe which, literally, sticks out of the ground in oily, sandstone outcrops.

The communists exploited it for all it was worth, but lack of know-how and spare parts brought production gradually down to a trickle. Of the 2,000 wells, only 800 are producing, some as little as a couple of barrels a day; indeed, no one is quite sure how much the field actually produces. But the good news is that the communists managed to extract only 4 per cent of the reserves. Premier Consolidated will now help Alpetrol suck out as much as possible of the rest.

We hurry back to Tirana for a meeting with Berisha. His office is in a spacious building on Hoxha's eight-lane boulevard; the new deep-red flag with black eagle is fluttering outside. Armed guards salute as we swing into the drive, and a man in a bright green shiny suit ushers us into a waiting room. The furniture, the doors, almost everything is covered in shiny veneer.

But Berisha's office is quite different: it is small and furnished comfortably. The president himself turns out to be a pleasant, middle-aged man with a friendly voice and a pale, lightweight suit. A cardiologist by profession, he came only lately into politics and still lives in his third-floor flat at the other

Continued on Page VIII

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The Long View / Barry Riley

Clarke's pre-emptive strike



A new chapter of interest rate mythology was created this week with the first moderate, apparently unforced rise in sterling interest rates, after a period of stability, that anyone can remember. Kenneth Clarke, the Chancellor of the Exchequer, strutted the stage on Monday, perfecting his heroic role as the far-sighted finance minister making a pre-emptive strike against the still distant but increasingly discernible ocre of rising inflation. Interest rate changes are still an excuse for drama - although the Government Broker no longer stands on a bench in the stock exchange and rings a bell.

Only ghosts from the past threatened to spoil things. We are presently cursed (or blessed?) by ex-chancellors with nothing very much to do and no cabinet confidentiality to inhibit them. Norman Lamont and Nigel Lawson promptly seized their chance to burst into the newspapers with warnings that rates would soon have to be raised further. Certainly, the circumstances of the increase were a whole lot more dignified than those of the typical rises in the past when chancellors were often forced into action by bond market collapses and foreign exchange panics. Broken, too, has been the rule of asymmetry that rates rise in whole percentage points - even two, sometimes - but decline gently in halves and quarters.

Is that break with tradition a good thing? Lying behind the old rule was the wisdom that finance ministers have to be forced into taking politically unpleasant steps. Not that rises in interest rates ought necessarily be unpopular politically. Pensioners with a pile of building society passbooks in their cupboards positively love them. Rising interest rates should be viewed as the normal and uncontroversial consequence of a strong economy. But the view from Westminster, under pressure from the industrial and housing lobbies, is different.

Hence the worry that anything that

chancellors do voluntarily on interest rates is unlikely to be sufficient. So, we must look critically at the Treasury's suggestion that, in conditions of strong economic growth, a half-point rise in interest rates is adequate to ensure that "we take no risks with inflation".

For the British public, the domestic emphasis here is, no doubt, well-judged politically. It is more logical, however, to fit the increase into a global pattern in which US dollar interest rates have been rising for some time and some rates in Europe - in Sweden and Italy, for instance - have gone up already.

Sterling's exchange rate has been easing gently this year on a trade-weighted basis. Meanwhile, it costs the British government much more than those of the US and Germany to borrow through the bond markets (by a margin of up to 1½ percentage points) even though inflation in the UK has been lower than in those countries for the past two years and is quite likely to remain lower - certainly than in the US and possibly than in Germany, where monetary growth has been excessive. Britain's inflationary past still imposes a price: so there was a need to send out a message of prudence.

In itself, though, a half-point rise in rates is trivial, apart from its impact on sentiment. In this connection, the Halifax building society was extremely unwise to be so hostile to the threatened rise a week ago. It should have said that a moderate increase, in the context of a strong economy, would pose no threat to house prices. As it is, some buyers may now be discouraged unnecessarily. In the 1980s, however, mortgage rates were often much higher than they are now, without plunging the housing market into decline. The housing market has problems, but the cost of mortgages is not yet one of them.

Will sterling benefit? A strong currency reduces imported inflation from rising commodity prices. Sterling has indeed risen a little this week. But the Italian and Swedish currencies have lost much of what they gained from the

August interest rate increases. And consider the impact of the collapse this year of the gap between US and German short-term interest rates from over 3 per cent to about ½ per cent.

Such a relative shift, which was expected widely, was supposed to make the dollar attractive at the beginning of the year, according to widespread opinion in the markets. That has turned out to be quite wrong: in fact, the D-Mark has risen by 13 per cent against the dollar so far in 1994. Two of this year's strongest currencies, the Japanese yen and the Swiss franc, have the lowest interest rates. You cannot strengthen the currency by raising short-term interest rates; but if you have a strong currency, you can cut them.

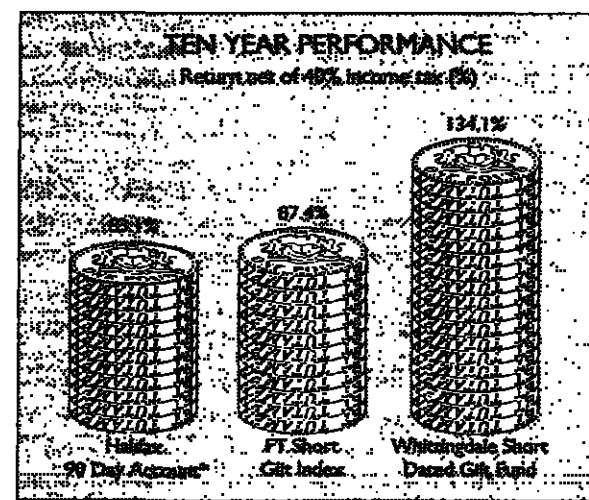
If this sounds odd, remember that much of the money flowing around the world today travels through the securities markets: we have long-term hot money, if that is not an oxymoron, rather than the overwhelmingly short-term money market flows of the 1960s and 1970s. Note that the bond market interest rate differential has actually shifted in Germany's favour this year by nearly ½ per cent, the opposite to what has happened in the short-term markets.

As for the UK, the sterling 10-year bond interest rate has jumped by 2½ percentage points this year but there have been no newspaper headlines and no industrial lobbyists have besieged the Treasury on the subject. Clarke does not pretend to set the bond yield as he pretends to set the short-term interest rate.

So, are short-term interest rates irrelevant? Not quite, but it took very large rises late in the 1980s to choke off the boom. Lawson added a cool 6½ points in under a year and his successor, John Major, one more point on top for luck. The rises burst the housing market bubble and deflated the consumer boom. The Halifax certainly had reason to be worried then.

As the Chinese say, and Lawson knows, the longest journey begins with a single step. But, so far, this is just a gentle stroll.

8.9% P.A. OVER TEN YEARS net of higher rate income tax



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MARKETS

London

Clarke's move leaves dealers guessing

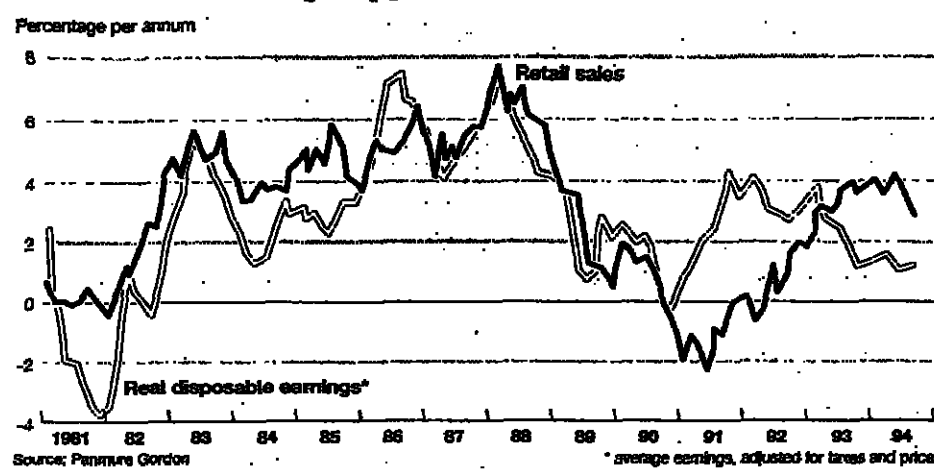
Andrew Bolger

Well, he finally did it. The half-percentage-point increase in bank base rates to 5.75 per cent announced on Monday by Kenneth Clarke, the chancellor, was the first rise in UK interest rates for nearly five years. This assumes, of course, that memory casts a discreet veil over the two panic increases in base rates announced almost exactly two years ago, on September 16 - the day Britain was pushed out of the European exchange rate mechanism by the weight of international speculation against the pound. On that fateful Wednesday - Black or White now, according to personal taste - rates were pushed up from 10 per cent to first 12 and then 15 per cent, before Clarke's predecessor, Norman Lamont, admitted defeat. The fall in interest rates to 6 per cent over the following four months, and the substantial devaluation of sterling, fuelled a 1,200-point rally in the

FT-SE 100 which only peaked February this year, when the index touched 3,481.5. This week's confirmation that the UK interest rate cycle has finally turned upwards received a much more muted and uncertain response from the equity market than Britain's escape from the deflationary shackles of the ERM. Partly this was because Clarke wrong-footed traders. When the previous week's meeting between the chancellor and Eddie George, Governor of the Bank of England, passed off without an announcement, the City assumed that base rates would not increase before next month at the earliest.

Clarke said he had decided to raise rates "to take no risks with inflation" at a time of strong economic growth. No one can remember when a UK government last tightened monetary conditions while retail price inflation is subdued. Underlying inflation, at 2.2 per cent in July, was at a 27-year low.

Retail sales: losing support



The chancellor said he was looking 12 to 18 months ahead and was determined to keep the recovery healthy and lasting. This was well received on Monday and the FT-SE 100 made up more than half an early 25-point loss to finish 10.5 points down at 3,128.8. The chancellor's move lost some of its shine on Wednesday. A jump in August's inflation figures and an unexpectedly sharp drop in unemployment raised doubts that the base rate cut was not nearly as far-sighted and pre-emptive as Clarke had suggested. The prospect of the need for further base rate increases prompted a sharp decline in share and bond prices, with the FT-SE 100 falling 41.6 points to close the day at 3,079.8. The market recovered 32.9 points on Thursday, when news of a drop in retail sales last month allayed concerns

that another base rate increase would soon be necessary. But the FT-SE 100 again lost ground yesterday when a surge in US production and capacity utilisation figures triggered talk of an imminent increase in US interest rates. One reason for investors' erratic response is growing unease about the relative valuation of equities, compared with gilts. The ratio of bond to equity yields in the UK is at a historically high 2.3 times. That can be justified only so long as companies deliver strong growth in earnings and dividends, which may become more difficult now that Clarke has started to apply the brakes to the economic recovery - however gently.

Few industrialists think a half-percentage-point increase will make a crucial difference in the long run, but the effect on sentiment could be significant. The 0.3 per cent drop in retail sales between July and August shows that consumer confidence remains fragile. The chart illustrates one reason: the increase in average earnings, adjusted for increased taxes and prices, has been lagging behind the growth in retail sales since early 1993.

One of the UK's largest retail groups, Kingfisher - which includes B&Q, Comet, Superdrug and Woolworths - this week reported a 7.4 per cent increase in pre-tax profits but admitted the results were less than satisfactory. Sir Geoffrey Mulcahy, chairman, said he remained cautious about UK retail markets. Alan Smith, chief executive, said Kingfisher's priorities

were to improve ranges, value for money and service. Cost-cutting would continue and some job losses would result. He said it would take time to implement Kingfisher's Everyday Low Pricing strategy - permanently lower prices, leading to higher sales and profits - throughout the group. Such an approach may bode well for the inflation outlook, but it is not an easy environment for companies to make money in. APV, the food processing equipment specialist, said the threat to profits margins had been increased by the pressure which retailers in Europe and the US are putting on the group's main customers, the leading food processors. The chancellor is clearly determined to avoid having to choke off an overheating economy in the run-up to the next election. He has therefore signalled his intention to keep control of inflation - even if that entails some risk of slowing the recovery.

With the peak of the interim reporting season passed, analysts will have fewer indications of how companies are coping in this new world of rising raw material prices, reluctant consumers and squeezed profit margins.

Yesterday's concern over a possible increase in US interest rates took the FT-SE 100 down 47.6 points to close the week 3,065.1.

Some analysts are still sticking with year-end forecasts of up to 3,500, but those now look extremely ambitious. Brokers still expect strong dividend growth over the next couple of years, but equities are unlikely to advance much until the turbulence in the international bonds market calms.

Serious Money

Traps that investors cannot understand

Gillian O'Connor, personal finance editor

Investment is an art masquerading as a science. The City is packed with analysts trying to crunch numbers into smaller pieces than their competitors. But personal investors hoping that a single key statistic can open the door to stock market riches are set for disillusionment. Most investment decisions are complex and still have a strong subjective element to them.

What is more, many of the numbers themselves are surprisingly open to question. This week, for example, a new study examined one puzzle: why was the price/earnings ratio on the FT-SE All-Share Index in August more than 3 percentage points higher than stockbrokers' p/e estimates?

Most of the discrepancy was explained by differences in the ways the two groups calculate the figures. Especially interesting, though, was why their chosen methods varied. They were trying to measure slightly different things for very different purposes.

The FT indices are intended to measure what actually happened, in the most objective way possible. They look back and aim to provide a yardstick of historical performance. Their p/e ratios are based on the latest 12 months' earnings (that is, the two latest half-years added together). And they make relatively few adjustments to companies' reported figures.

Stockbrokers' p/e ratios are based on the forecasts by their analysts of the earnings companies will report in the present year. They relate to a later time period than the FT's. And since this period is in the future, the earnings figures are, necessarily, subjective estimates.

What is more, the analysts' main interest is not so much what profits companies will report but their underlying profitability. So, if company accounts contain unusual items depressing or inflating

the reported profits and earnings, the analysts tend to remove them.

This is because their job is to tell their clients which shares look cheap or expensive - and a company's future earnings potential is one of the major considerations in share assessment.

Thus a company which appears as an actual loss-maker to the FT's recording angel can be turned into a magnificent recovery stock at the flick of an analyst's calculator.

Which approach is right? Both are - on their own terms. And both can be useful to the intelligent investor if he understands their function. Problems arise when investors expect too much, or misunderstand the *raison d'être*, of any statistic (and all professionals agree that even forward-looking p/e ratios are only one factor to consider in valuing a share). Such problems can be expensive, particularly when a historic measurement is deemed to have some predictive power.

Consider unit trust performance measurement. Analysts agree that conventional performance tables are no use in predicting which trusts will do well in future.

The two main UK fund measurement services, Micropal and HSW, are both now calculating volatility figures as well. These tell you not just where a fund got to over a certain period, but how erratic its progress was. They are designed to measure risk.

Both firms also produce figures which combine risk rating with performance measurement to give a risk-adjusted rate of return: a common enough statistic. A fund with an outstanding performance, which is also very volatile, might score the same as a less volatile fund with a worse performance. Micropal goes one step fur-

ther, though: it ranks funds within a particular sector and awards them star ratings of one to five according to their risk-adjusted performance. This is where its service starts to get contentious. Experience suggests that investors presented with five-star funds and one-star funds will tend to buy the former because they expect them to do better in future.

Micropal makes no such claims, and is at pains to point out that investors need to look at all the figures rather than home in on the star rating. But at least some professional investors in the UK worry that risk-adjusted figures are positively misleading if used as a guide to future performance - and that making them the basis of a star system is to invite misuse.

In the US, the best known fund rating service, Morningstar, has its own system for awarding star ratings. Earlier this year, a study showed that funds rated five-star by Morningstar performed indifferently thereafter. But stars glitter - particularly in the eyes of marketing men.

Wiseheads will mutter "caveat emptor". But how can the ordinary investor be expected to avoid a trap he cannot understand?

□ □ □

The call for the final instalment of BT's (see page V) raises one crucial question: is BT itself worth holding?

The outlook for the telecommunications giant should be better than its recent past suggests. The shares have done substantially worse than the stock market as a whole since late 1993. In part, this is because analysts have been impressed too much by its domestic competitors, and too little by BT's existing strength, resilience at home and international potential.

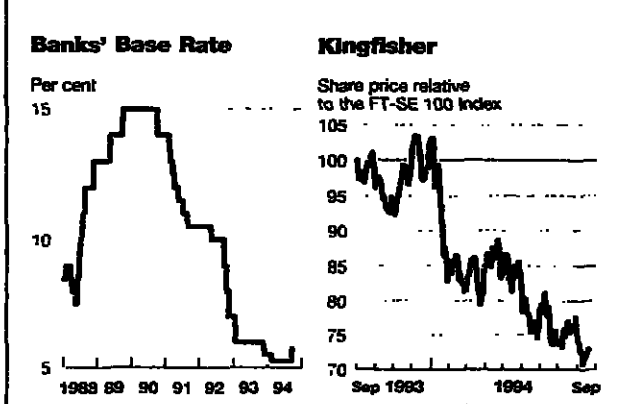
BT is a riskier investment than it used to be, but the shares look fair value.

HIGHLIGHTS OF THE WEEK					
	Price y/day	Change on week	1994 High	1994 Low	
FT-SE 100 Index	3065.1	-74.2	3520.3	2676.6	Base rate rise
FT-SE Mid 250 Index	3616.1	-119.9	4152.6	3363.4	Base rate rise
APV	75	-43%	138	75	Interim dividend halved
Barratt Doms	183	-28	292	180	Base rate rise
Berkley Group	383	-45	573	383	Base rate rise
Blenheim Group	213	-30	402	213	Profits warning
Calor Group	299	+29	375	261	Better than expected interim
Country Casuals	108	-44	170	108	Profits warning
Crockfords	142	-9	158	133	Disappointing interim
Falvey Group	396	+13	402	334%	Excellent interim figures
Fisons	123	-28	157	113	Bid premium eroded
Liberty	350	-38	435	350	Interim losses
Midlands Elec	773	-35	840	547	Profit-taking
Persimmon	248	-15	379%	229	Base rate rise
Warburg (SG)	730	-32	1012	676	Turbulent markets

AT A GLANCE

Finance and the Family Index

- Financial complaints III
- The Week Ahead/Results due IV
- Mortgage rates/BT3 call V
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- Trust launches/Directors' dealings/Highest rates/Q & A VII



Chancellor raises base rates by half a point

Kenneth Clarke, the chancellor, moved to nip inflation in the bud this week by raising base rates by half a point to 5.75 per cent. The last rate change before that was a quarter-point cut to 5.25 per cent in February. Clarke said he decided to raise rates on Monday "to take no risks with inflation" at a time of strong economic growth. Some business organisations criticised the move, but the market's initial reaction was relatively favourable. However, the announcement on Thursday that retail sales had fallen in August prompted questions over whether the chancellor had acted prematurely. For mortgage rates, see Page V.

Kingfisher disappoints

Kingfisher, the UK retailing group which includes BQ, Comet, Superdrug, Woolworths, and France's Darty, this week disappointed the market in spite of announcing a 7.4 per cent increase in interim pre-tax profits from £82m to £88.1m. The increase - at the bottom end of forecasts - was more than accounted for by a rise from £16.1m to £35.7m in profits contribution from Darty, acquired by Kingfisher only two months before the end of the first half last year. Excluding Darty from both years, retail operating profits fell from £57.5m to £47.7m.

Expiry date for warrants

Holders of warrants in Templeton Emerging Markets Investment Trust (Temit) have less than two weeks to sell or exercise their warrants before they expire. The warrants, carrying the right to buy Temit shares at £1.27 by September 30 this year, were issued in a March 1990 rights issue, as part of a package of five shares and 2.19 warrants, priced at £6.33 for the package. The shares were trading this week at £1.185, and the warrants at £2.93, making a total of £27.34 for the original package. If warrant holders do not act before September 30, the warrants will be exercised on their behalf, the resulting shares sold, and the proceeds returned to the warrant holders, less costs. If holders do not exercise the warrants themselves, they will miss out on a bonus issue of new shares and warrants.

Smaller companies setback

Smaller company shares suffered a setback this week. The Hoare Govett Smaller Companies Index (capital gains version) fell 1.5 per cent to 1688.65 over the week to September 15.

Next week's family finance

Personal pension plans vary enormously, particularly as regards their costs. Next week we report on a major survey of the personal pensions market.

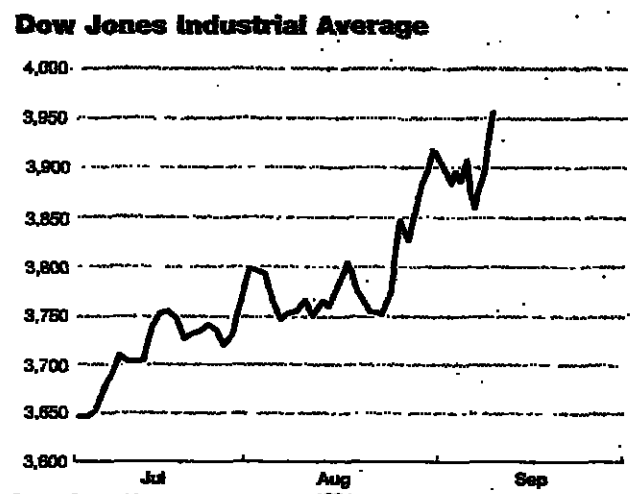
It was a poor start to the week, just before 2am on Monday morning, a small red and white Cessna 150, apparently on a suicide mission, glided through the sky towards the White House in Washington DC, bounced off the South Lawn, crashed through the branches of a magnolia tree, and came to rest in a crumpled heap beneath President Clinton's bedroom window. As it happened, Bill Clinton was not at home. But if the United States of America could not protect the bedroom of its president from airborne attacks by deranged Maryland truck drivers, investors might have felt entitled to ask, what chance did it stand of successfully managing the economy? Just the Friday before, Wall Street's late summer rally had been abruptly halted by the publication of figures showing a bigger-than-expected rise in the producer prices index. The inference drawn was that, in spite of five increases in interest rates in the last seven months, the Federal Reserve had failed in its efforts to nip inflation in the bud. Stocks plunged on fears that more

increases in interest rates would be needed to put the economy back on a dampening economic growth, and with it, company profits.

Traders were therefore in a jittery mood when the market opened this week. Up till the previous Friday, most economists had thought the Fed would wait until at least November before contemplating any further credit tightening. Now, they feared the next increase in interest rates could be bigger and earlier.

Not even the announcement of yet another mega-merger - a \$2bn bid by Kohlberg Kravis Roberts, the Wall Street investment firm, for Borden, the struggling US food group - was enough to raise investors' spirits, and prices drifted lower as the market waited in nervous anticipation of more bad news on inflation from Tuesday's release of the consumer price data for August.

The bad news, however, failed to arrive. In fact, when the figures for consumer prices came out, the index was up by only 0.3 per cent, a figure that compared favourably with the consensus forecast:



and as investors breathed a collective sigh of relief, the Dow Jones Industrial Average performed a smart about-turn, rising more than 15 points. The same thing happened on Wednesday, when figures showing a lower-than-expected increase in August retail sales further damped inflation fears and lifted the Dow Jones index 15 points. And on Thursday, when a survey of business con-

ditions from a regional Federal Reserve Bank brought more good news on inflation, the optimism turned rampant, sending the Dow index up nearly 60 points to its highest since February 3.

But it was too good to last. Market sentiment is these days so fragile that it only takes a little bad news to trigger a wave of selling. On Friday morning, that

news came in the form of stronger-than-expected figures for August industrial production and capacity utilisation. Suddenly, the market was in flight again: by midday yesterday, as this column went to press, the Dow was down 33.98 at 3919.9.

Such fickleness continues to leave investors without any clear lead on the market's direction. Some would like to believe that the US economy has now reached an ideal state in which growth is strong enough to support profit increases but not so strong as to trigger a pick-up in inflation. Salomon Brothers, the Wall Street investment bank, calls this the Goldilocks economy - one in which the bears are kept at bay - but in the same breath dismisses the scenario as a fairy tale, warning that the market is overvalued and set to plunge by 10-12 per cent. Why the gloom? Salomon points out that, in spite of recent hiccups, the market is now as high as it was at the beginning of the year - yet interest rates are already higher than they were in January, and are set to go higher

still. And although the current wave of merger mania in the US may be bullish for stock prices, surges in merger activity have historically been associated with market tops, not market bottoms: witness the late 1920s, late 1960s and mid 1980s.

If that were not bearish enough, it also emerged this week that former football star and television personality O.J. Simpson had quietly been cashing in more than \$500,000 worth of his shareholdings. Simpson may stand accused of the gory double murder of his former wife, Nicole Brown, and her friend, Ronald Good-

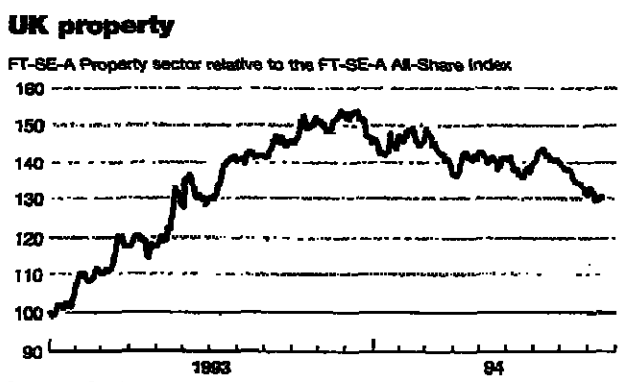
man, and probably needs the money for his legal expenses: but it is an ill omen when one of the best-known figures in US popular culture starts pulling out of the stock market. Investors can only hope that his function as a role model is somewhat less than this was.

Richard Tomkins

Monday	3860.34	- 14.47
Tuesday	3879.86	+ 19.52
Wednesday	3895.33	+ 15.47
Thursday	3863.86	+ 58.55
Friday		

Bottom Line

Property shares lost in space



stable there is no reason why commercial property values should actually fall. Rents are bound to rise as economic recovery takes hold and businesses start to expand. But that prospect is too far distant to justify pushing values higher.

Property company shares have suffered twice over. Net asset values (the amount which could, in theory, be raised if the company was broken up and its assets sold) were forecast to rise by anything up to 15 per cent both this year and next. The out-

come this year looks likely to be more like 8 per cent. Forecasts for 1995 now range from 6 per cent to 12 per cent. Moreover, shares were already expensive when measured against the value of their underlying assets. Before the recent slide the sector stood at a discount of 7 per cent to net assets. With no immediate prospect of rising rents and property prices, that rating became impossible to justify.

Even now the sector is hardly cheap. The discount to net assets has widened to around 13 per cent, but that compares to a long-term average of 20 per cent. Since the upswing of the property cycle is still in its early stages, shares might be expected to trade at a narrower discount than the average. But they will have to fall further before bargain-hunters step in.

Property companies which own new portfolios and manage their assets energetically are most likely to flourish. The stock market has already realised as much. Even now Pillar and Argent, two of the sector favourites, trade at around net asset value.

Simon London

FINANCE AND THE FAMILY



I really hate to complain, but...

So you think you've had a raw deal but don't know what to do. Debbie Harrison provides a guide

If you think you have a problem about an investment, pension or life assurance product, you need first to find out to whom - or what - you should complain. Unfortunately this is no easy task during the present regulatory shake-out.

The Personal Investment Authority (PIA) has taken over from Fimbra, the regulatory body for advisers, and Lauto, which regulated life offices and unit trust groups. During the transition, you could end up dealing with any of them.

Complaints about company pensions are tackled by the Occupational Pensions Advisory Service (Opas), but several ombudsmen continue to squabble over territorial rights for personal pensions. The box below provides contact details and telephone helplines for bemused investors.

Second, you should consider if your grievances are justified or simply a case of bad luck. The following common complaints received by regulators and ombudsmen will help you assess the merits of your case.

1. I don't know which product to choose. Nor do the regulators and ombudsmen. Their job is to correct mistakes and deliberate mis-selling - not to give investment advice.

2. The benefits are abysmal. Provided you knew what they were at the start, and the provider or trustees were acting in accordance with the scheme or plan rules, there is nothing you can do about it (but see point 4).

3. The investment returns are poor. The likely response to this is "tough", assuming you understood the nature of the risks when you took out the plan. If you did not, see point 4. If you think your fund was miscalculated, see point 6.

4. The investment is unsuitable. You are on better ground here. Salesmen must examine your financial circumstances and requirements before recommending an investment product. They must also ensure you understand its nature and associated risks. If your adviser failed to do this, you should complain.

Moreover, you should not lose out by abandoning an existing arrangement in favour of a new product. An adviser almost certainly is mis-selling it, for example, he recommends a pension transfer plan to replace a good company pension scheme.

5. The charges are outrageous. Find out what they are before you sign up. Until January 1995, providers are not obliged to reveal their true charges, but good advisers are doing so now. Ask how much commission the adviser will make on the sale, since this will eat into your fund in the early years.

6. The sums do not add up. Always query a significant shortfall, since this might be a simple miscalculation. Early retirement pensions are classic cases. But the final pay-out on a unit-linked or with-profits endowment, for example, might be less than expected if the markets have performed poorly in the period between your last statement and the date the plan matures. The provider/adviser should have explained the risks at the outset (see point 3).

7. Something fishy is going on. Fraud and malpractice do occur - for instance, where the salesman or adviser has not passed on your premiums to the provider, or where the employer has deducted your pension contributions from your pay cheque but has not sent them to the pension scheme. If you suspect this is happening, contact the regulators immediately.

8. I've only just found out...and the complaint relates to an event five years ago. You could be out of luck here. The pensions ombudsman, for example, usually slaps a three-year time limit on eligible cases so, if you suspect skulduggery or plain incompetence, act quickly. The PIA handles only cases that arose after April 29 1988.

9. The matter is confidential. You might be saving for early retirement and do not want your employer to know - or saving for divorce and don't want your spouse to know. Whatever the circumstances,

your case stays confidential. 10. My friend has a problem...but he is too nervous/ill/old to complain himself. You can act on behalf of relatives and friends provided you explain the position clearly to the regulator or ombudsman. You should check whether

your investment is covered. If you are not sure, use one of the enquiry numbers in "Where to go" on this page. The PIA handles life assurance (including endowment policies), personal pensions, unit trusts, personal equity plans, guaranteed income bonds,

investment trust savings schemes, offshore funds (eg, gilt and bond funds), share dealing, portfolio management, broker funds, business expansion and enterprise investment schemes, and traded options. In some cases, you could be referred to the investment

ombudsman via the Investment Managers' Regulatory Organisation (Imro), the overseer for investment managers, or to one of the other regulators. Company pensions and certain aspects of personal pensions are covered by Opas and the pensions ombudsman.



The Jordans: "The process of complaint is daunting"

The Jordans' experience

Kenneth and Dilys Jordan discovered, to their dismay, that even where you follow the complaints procedure to the letter, things may not go smoothly. Their complaint, against retirement investment adviser Knight Williams, is still under consideration after two years.

In February this year, the Jordans set up the Knight Williams investors' action group and face the latest in a series of meetings with regulators when they meet SIB, the chief watchdog, on Thursday. Jordan says: "The process of complaint is daunting in the extreme, and few have the energy or resources to pursue the matter."

He talks calmly about verbal complaints and written complaints to the local adviser's

office, then the same details repeated to the company's headquarters, followed by endless rounds with Fimbra and its arbitration system.

"Persistence may convince Fimbra that there is a case for arbitration, in which case they send a leaflet explaining that the complainant has to submit two copies of all relevant documentation," says Jordan.

He adds: "In some cases, this might involve searching through documentation as thick as a telephone directory and selecting what one feels is apposite, without any assistance."

Dilys Jordan feels that retired investors often do not have the resources and experience to present a businesslike case - hence the reason for the action group.

What to say

Your complaint stands a much greater chance of being taken seriously if you have prepared your case well and can show you have done all you can.

The regulators and ombudsmen suggest the following tips:

- Write first to the compliance officer at the company that sold the product (in the case of an investment product) or to the trustees (for a company pension scheme).
- State clearly the nature of the complaint.
- Give clear contact details, including daytime telephone number.
- Provide the name of the investment or product, the

date you took it out, and the name of the salesman (if relevant).

■ Quote all relevant policy and reference numbers.

■ Photocopy letters and supporting material.

■ Impose a deadline for the reply. You should receive an acknowledgement of your letter within seven days, but allow two months for the actual investigation before proceeding to the regulator or ombudsman.

■ Check to see if there is a consumer action group that is co-ordinating complaints. (See The Jordans' experience).

Where to go

If in doubt about a life policy, personal pension or investment, call the PIA consumer helpline (071-638 3860) or the central register of the Securities and Investments Board (SIB), the industry's chief regulator (071-929 3852). For company and personal pensions, telephone Opas (071-233 5090).

■ Personal Investment Authority: Hertsmere House, Hertsmere Road, London E14 4AB, tel: 071-638 8800 (this is also the number for the helpline), fax 885 3673. The PIA can direct complaints to Fimbra and Lauto if necessary.

■ PIA ombudsman: 1 London Wall, London EC2Y 5EA (071-600 3836, fax 600 4727).

■ Occupational Pensions Advisory Service (Opas): first, contact your local Citizens Advice Bureau. Opas is at 11 Belgrave Road, London SW1V 1RB (071-233 4880, fax 233 8016).

■ Pensions ombudsman enquiries should first go via Opas. The ombudsman is at the same address (071-638 9144, fax 831 0065).

■ Insurance ombudsman: City Gate One, 135 Park Street, London SE1 9EA (tel: 071-928 7600, fax 401 8700).

■ Building society ombudsman: Grosvenor Gardens House, 35-37 Grosvenor Gardens, London SW1X 7AW (tel: 071-931 0044, fax 931 8485).

■ Banking ombudsman: 70 Gray's Inn Road, London WC1X 8NB (tel: 071-404 9944, fax 405 5032).

■ Investment ombudsman: Complaints must go through Imro, Broadwalk House, 6 Appold Street, London EC2A 2AA (tel: 071-628 8022, fax 920 9385).

■ SIB: Gavrelle House, 2-14 Bunhill Row, London EC1Y 8RA (071-638 1240, fax 382 5900).

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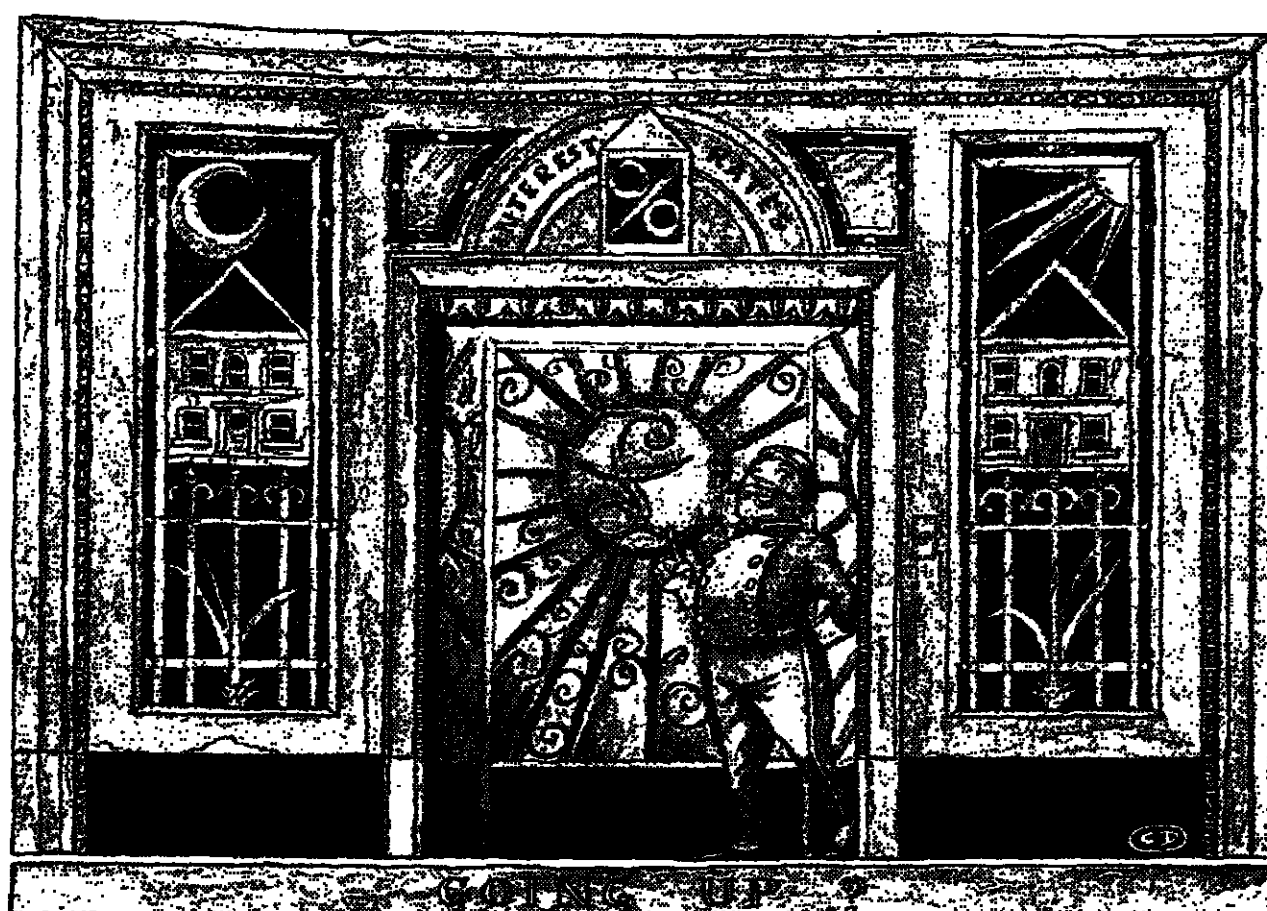
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FINANCE AND THE FAMILY



Lenders take flight

Interest rate rise hits fixed mortgages, reports Debbie Harrison

Fixed-rate mortgage offers were withdrawn by the score this week as lenders reacted to the 0.5 per cent increase to the base rate announced on Monday by Kenneth Clarke, the Chancellor of the Exchequer. The new base rate is 5.75 per cent.

Fixed mortgages guarantee that rates will not go up or down for a specified period and are, therefore, particularly attractive for borrowers who need to keep careful control over the family budget.

Independent mortgage advisers say borrowers should act quickly to take advantage of the remaining good deals. "But watch out for the small print," warns Ian McKenna, a consultant with mortgage and pensions adviser Blyth McKenna. "Some of the cheapest fixed rates are offered on the condition the borrower takes out expensive buildings and contents insurance."

Borrowers considering a fixed rate should treat with caution any scheme that imposes a deadline by which the deal must go through. McKenna says: "Several of the largest building societies do this, and it creates severe problems for borrowers stuck in a chain who are not able to complete in time."

You should bear in mind, also, the early redemption penalties associated with fixed rates – usually worth three to six months' payments. But Ian Darby, marketing director at mortgage adviser John Charcol, points out that redemption

Table 1: Fixed rate mortgages still available

Provider	Rate %	Until	Fee*	RP**	Ins***
Britannia	5.50	1.9.96	£195	3mths	Yes
Britannia	6.99	1.10.97	£225	6mths	Yes
Britannia	8.15	1.9.99	£275	6mths	Yes
John Charcol	4.95	1.7.96	£295	3mths	No
John Charcol	6.49	1.7.97	Nil	3mths	No
Lambeth	8.15	1.9.98	£250	6mths	Yes
Lancashire & Hol.	9.25	10 yrs	£295	6mths	No
N & P	8.45	1.8.98	£250	6mths	No
N & P	8.75	1.8.98	£250	6mths	No
Nthm Rock	5.49	1.6.98	£250	4mths	Yes
Yorkshire	1.90	1.5.95	£250	3mths	Yes

*Source: John Charcol. **Lender's fee. ***Redemption penalty. *Compulsory legal & cost fee

Table 2: Standard variable mortgage rates up

Provider	Old rate	New rate	New borrowers	Existing borrowers
Abbey National	7.74	8.09	Immediate	Early Oct
BNP Mortgages	7.59	7.97	4 Oct	3 Nov
Nationwide	7.74	8.14	16 Sept	1 Oct
Northern Rock	7.74	8.14	14 Sept	1 Oct
Northern Bank	7.64	8.14	13 Sept	13 Sept

*Source: Moneyfacts. **February 1993 for borrowers in annual review scheme.

penalties are a standard feature of most mortgage products – with the exception of variable rates.

"The main reason for getting out of a fixed rate would be if rates fell dramatically," he says. "We believe that the mortgage market has bottomed out and that rates will rise, not fall."

Owners who want to sell should not delay in the hope of price rises. Darby says: "House prices will remain static apart from a few pockets of movement where demand outstrips supply."

"Now is a good time to move – mortgage rates are very competitive, and the ratio of

income to house prices is at an all-time low."

Fixed rates in detail. The Royal Bank of Scotland has put up all of its fixed rate schemes. Its three-year fixed has gone from 7.95 per cent to 8.49, and the five-year fixed from 8.89 per cent to 9.24 per cent, according to Moneyfacts.

National & Provincial has put up some of its fixed-rate offers by 0.4 per cent to 0.6 per cent but has cut its one-year fixed rate for first-time buyers by 0.1 per cent to 1.75 per cent. The lender says this reduction is not at the expense of any changes in the mortgage's terms and conditions.

N&P also announced a new

four-year fixed at 8.45 per cent for borrowers who have a minimum deposit of 10 per cent.

Meanwhile, Scotlife Home Loans and the West Bromwich have launched jointly a 6.99 per cent fixed available through independent advisers.

Providers to withdraw their fixed-rate offers include First Direct, Confederation Bank, Ipswich building society, First National building society, Mansfield building society, Household Mortgage Corporation, Bank of Ireland (Northern Ireland), Bank of Scotland and Centre Bank. TSB has withdrawn some – but not all – of its offers.

Few lenders announced changes to their variable-rate mortgages – most are sitting on the fence until the Halifax rates come out next week. Of the providers that did, the average rise was 0.4 per cent, taking the typical figure to 8.14 per cent (see table 2).

In practice, advisers tend to regard these rates purely as a benchmark. With so many good fixed-rate and discount schemes remaining on offer, borrowers who shop around see little attraction in an undiscounted variable rate.

Elsewhere in the savings and investment market, there were few signs of movement. Banks and building societies said they would wait for Abbey National and the Halifax to go public on savings accounts before adjusting their own rates.

The exceptions included Barclays and Northern Rock, which increased interest rates by between 0.1 and 0.35 per cent.

Crunch nears on BT3

Investors in BT3 will get a letter next week asking them to pay the final 120p instalment on their shares. The first two payments totalled 290p against a market price now of around 264p. Dealing in the partly-paid shares will end on September 30.

Cheques must be received by October 6 in order to meet the payment deadline of October 11. But some brokers and share shops are asking for the money well before the end of September.

If a shareholder fails to pay up in time, the Treasury will take back the shares and sell them. The shareholder stands to get back a maximum of 290p less costs but, in practice, the amount paid is likely to be less: the market price less costs.

If you want to keep a final instalment, just send off your cheque together with the call notice asking for the instalment in time. If you want to sell without paying the final instalment, then the sooner you do so, the better: many brokers have a selling deadline well before the end of September. But wait until you have got your call notice.

If you want to keep a stake in BT but cannot afford to make the extra payment, you need to sell some of your partly-paid shares in order to make the additional payment on the others: an operation known in the trade as cannibalisation. Personal equity plan-holders should check they have cash available.

Gillian O'Connor

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FINANCE AND THE FAMILY

Get the best while paying less

There is more than one way to tap the expertise of top investment managers, says Joanna Slaughter

The myth that unit trusts are a boring, cloth cap investment may linger in the mind of the land but it is not a view held by the latest investment management firms. Eight of the 10 investment managers profiled recently in the *Weekend FT* offer a degree of portfolio management based on collective investments. All trust that the investors who use these services benefit from their expertise just as surely as wealthy investors with bespoke equity portfolios.

Peter Rees, marketing director of Rothschild Asset Management, says: "The similarities between Libra (the R&M unit trust management service) and what we provide for high net worth individuals are remarkably close. The groups that decide our asset allocation for clients are the same, whether you are coming through Libra or through the private client service or as a large institution."

Simon White, managing director of Kleinwort Benson Investment Trusts, makes the same point. "The asset allocation of our unit and investment trust service will be determined to a large extent by the

investment committee, and it will be a reflection of our views."

The largest fund management firms tend to offer three basic collective fund services. Some manage a specific unit trust, a core fund designed to replicate the portfolios of their wealthiest private clients, and a select few bolt on additional private client services. Others run portfolio services which provide clients with a managed basket of collective funds.

Schroders is a passionate advocate of unit trusts, arguing that they provide a spread of risk which only the seriously wealthy can achieve from a direct exposure to equities; that they streamline administration; and that they offer considerable financial advantages.

John Henderson, the managing director of Schroder Personal Investment Management, says: "I could wax lyrical all day about the tax benefits of unit trusts." He

points out that they are exempt from capital gains tax and that, if the annual fee is taken from the fund's income, then investors effectively are getting income tax relief on it. Moreover, annual fees are not subject to value added tax, unlike the charges for managing directly-invested portfolios.

The Schroder World fund is the one used for private clients whose main investment objective is long-term capital growth. "Provided the clients' objectives match the objectives of the trust, the World fund is appropriate for all UK taxpayers," says Henderson.

Minimum investment is £1,000, but investors with £100,000-plus are offered many elements of the firm's private client service. They have two named investment managers and a stream of information throughout the year. Schroder also will liaise on bed and breakfasting units, so clients can mop up their

BUDGET SERVICES FROM BIG-NAME MANAGERS		
Manager	Service	Min
Schroder	World fund u/t	£1,000
Mercury	Portfolio u/t	£10,000
Kleinwort Benson	Unit & invst. trust services	£25,000
Cazenove	Portfolio u/t	£25,000
Baring	Portfolio u/t	£25,000
James Capel	Managed funds service	£20,000
Rothschild	Managed funds portfolio	£25,000
Credit Suisse	Libra unit trust portfolio	£25,000
	Investment portfolio u/t	£25,000
	High income portfolio u/t	£25,000

The table shows the minimum sum needed to access the private client expertise of some of the leading investment managers. The minimum figures assume entry to a unit trust that mirrors the portfolio of a wealthy private client, or to a unit trust that does this and adds additional private client services. Alternatively, it buys a managed fund portfolio service.

CGT allowance, and will arrange for them to convert part of their holding each year into a personal equity plan.

Mercury's answer is the Portfolio unit trust. Richard Royds, managing director of Mercury Fund Managers, describes it as "a unit trust designed for the private clients we

used to have to turn away. It simply follows the strategy that the private clients get. It is not a white-knuckle ride. It is a safe and sound approach that has done very well." Mercury has now launched a complementary Income Portfolio fund.

The firm's minimum investment is £10,000, but this sum opens the

door to some private client services. Two portfolio advisers are available to investors and they get quarterly reports, with the fund's portfolio listed as if it were their own.

Royds says: "There are some great advantages with a unit trust because one of the problems you get with a private client portfolio is that you are constrained by tax from trading. We have a few people who have invested more than £1m in the Portfolio trust because they like the CGT structure so much."

The Cazenove Portfolio unit trust (minimum investment £5,000) does not offer extra private client services but it, too, provides a mirror image of a wealthy private client portfolio.

Henderson, managing director of Cazenove Unit Trust Management, says: "The fund absolutely adopts the Cazenove asset allocation and sector allocation. If CGT is not a consideration, this is

the way we think a private client portfolio would perform."

Similar claims are made on behalf of the Credit Suisse Investment Portfolio fund (minimum £5,000), and the Baring Portfolio fund (minimum £500). Baring also joins Rothschild, James Capel and Kleinwort Benson in offering a collective funds portfolio management service with trusts chosen from the whole marketplace. In contrast, the unit trust management service that Schroder offers to investors with more than £250,000 is confined to the firm's funds.

The minimum investment for the Baring service is £20,000; at Capel, it is £25,000. Investors must have £50,000 for Rothschild's Libra service and £75,000 for Kleinwort's unit and investment trust portfolio management. Fees are 1 per cent at Baring and Rothschild, a minimum £200 a year at Capel and a minimum £250 at Kleinwort.

Clearly, the message is: do not be intimidated by the investment figure required by leading private client fund managers before they will provide a bespoke portfolio. There is more than one way to secure their asset allocation and stock-picking skills.

How to make your bank really listen

Scheherazade Daneshkhu on ways to complain

Most banks admit, unofficially, that some of their less affluent private customers are more trouble than they are worth. But all want to keep the ones with large balances who are suitable targets for other financial services. Measures to retain them range from cash incentives to promises of a better service.

Earlier this year, Abbey National halved its authorised overdraft rate, while Midland bank promised to pay customers £10 for each failure to meet certain standards of service in transferring a current account from another bank.

Barclays bank has just announced that it is improving its complaints system. It was the subject of bad publicity earlier this year after a customer committed suicide.

"The way we handle complaints is a vital part of our efforts to improve customer service," said Chris Lendrum, deputy managing director of UK banking services. "Handled badly, a customer may understandably take his business elsewhere."

One frequent complaint by readers is that branch staff sometimes are unable to provide even such simple information as how to complain. Here,

then, are the complaints procedures for some of the UK's largest banks. They sound good - but let us know if they differ from practice.

■ **Barclays**

The bank is setting up a National Complaints Initiative in branches to handle both personal and business complaints. Staff will complete an "action form" for customers who complain in person and who will be given a copy for reference. Telephone and written complaints will receive a response within 24 hours. "In complex cases, this may initially take the form of a holding letter," says Barclays.

■ **Bank of Scotland**

It has a three-stage process. First, make the complaint (in person, by letter or telephone) to the senior manager of the branch where the problem arose. If you are unhappy with the reply, ask the branch for the name and address of the

regional manager responsible for the branch and write to him. If the complaint remains unresolved, take it to the relevant general manager.

■ **Midland**

Go first to the branch manager. The complaint will be answered within two working days, or an acknowledgment



"OH NO - NOT YOU AGAIN."

sent stating how long the matter is likely to take.

If you want to take it further, write to Derek Stafford, Customer Relations Manager, Midland Bank plc, Head Office, Poultry, London EC2P 2BX (the letter will be acknowledged within two working days) or telephone the bank's customer service centre on 0345-707 070.

Calls are charged at local rates and are recorded "to provide conclusive evidence in cases of dispute".

■ **Lloyds**

Complain first to the branch (if you telephone outside working hours, leave a message on the answering machine and your call will be returned the next working day). If the matter is not resolved, either write to the regional executive director (the branch will provide the name and address) or telephone customer services at head office on Freephone

0800-147 789.

Complaints about credit cards are handled by the Senior Manager, Card Services, Essex House, Southchurch Avenue, Southend-on-Sea, Essex SS9 9PP. The local branch will deal with complaints about a Lloyds' payment card.

■ **National Westminster**

Branch-based complaints are handled "immediately" by the branch but, in complex cases, it will take a maximum of two days. If you want to take the matter further, write to head office, which will acknowledge the letter within 24 hours.

There is also a Freephone customer service line (0800-505 050) which handles queries, suggestions and complaints.

■ **Royal Bank of Scotland**

Once again, the complaint should be addressed to the branch at which it originated. If you remain unhappy, write to the Head of Service Quality Department, Royal Bank of Scotland, Freepost, P.O. Box 31, Edinburgh EH2 0DG. An acknowledgment will be sent within two working days and a full response within 10.

In all cases, if you have completed the internal complaints process and still feel aggrieved, write to the Banking Ombudsman, 70 Gray's Inn Road, London WC1X 8NB (tel: 071-404 5944).

Bupa's long view

Bupa, the UK's largest private health insurer, is moving into the market for long-term health-related insurance. In the past, it sold insurance to cover only the direct cost of private medical treatment - not the impact of ill-health on financial circumstances.

Now it has added three new types of policy:

■ **Disability income insurance**, which provides a replacement income if you cannot work through ill-health.

■ **Critical illness cover**, which pays a substantial lump sum if you suffer one of a defined list of serious health problems, such as cancer, heart attack or stroke.

■ **Recovery cash**, which pays a smaller lump sum if you need surgery, whether privately or on the NHS.

One pertinent aspect of the disability income cover is that unlike similar products - usually known as permanent health insurance, or PHI - cover does not stop at retirement age. Instead, it changes into a type of long-term insurance to help with the cost of care if you become unable to

carry out such "activities of daily living" as washing, going to the lavatory, and eating unaided.

Claims before retirement are decided on whether your illness or disability stops you carrying out your normal occupation. So, a condition that allows you to claim then will not necessarily entitle you to post-retirement benefits.

One drawback is that the policy must be taken out at least five years before your scheduled retirement date. This means that long-term care cover will not be available to those most likely to consider buying it: people on the verge of retirement or who have just retired.

Another potential problem is that the maximum level of cover is only 50 per cent of your gross salary (most insurers offer cover of up to two-thirds). Since nursing homes are expensive - up to £20,000 a year - you could cover long-term care costs fully only if you were earning about £40,000 a year before retiring.

The market for medical insurance, PHI and critical ill-

ness cover is large and competitive, so it is worth getting quotes for all the different elements from a range of insurers before signing up for a single insurer's package.

At the same time, Bupa has simplified its range of private medical policies to reduce confusion over what is covered and makes it easier for people to switch between different types of insurance when their circumstances change.

Its new, customer-friendly approach includes a local-rate telephone helpline for customers, open from 8am to 8pm on weekdays. Another innovation is a range of voluntary excesses on all medical policies. This gives subscribers the choice of cutting premiums by up to 40 per cent by agreeing to pay the first £100 to £500 of every claim.

This will appeal to people who find comprehensive premiums costly and are happy to have minor conditions treated on the NHS (or pay themselves) but still want cover for serious illness. Several other insurers offer voluntary excesses already.

Bethan Hutton

ADVERTISEMENT

BUILDING SOCIETY INVESTMENT TERMS

Name of Society	Product	Stem	Exit	Net	Net	Interest	Minimum	Access and other details
Address & Location	Exit	Exit	Exit	Exit	Exit	Exit	Exit	Exit
Abbey & Leicester	Special Edition	7.20	7.20	5.40	5.40	Ydy	100,000	7.00% 7.50% 5.50% A.S. One withdrawal of 10% of net without pen.
	Index 90	6.80	6.80	5.30	5.30	Ydy	100,000	Rate variable
	Index 100	6.80	6.80	5.30	5.30	Ydy	100,000	20 days withdrawal notice
	Index 110	6.80	6.80	5.30	5.30	Ydy	100,000	20 days withdrawal notice
	Index 120	6.80	6.80	5.30	5.30	Ydy	100,000	20 days withdrawal notice
	Index 130	6.80	6.80	5.30	5.30	Ydy	100,000	20 days withdrawal notice
	Index 140	6.80	6.80	5.30	5.30	Ydy	100,000	20 days withdrawal notice
	Index 150	6.80	6.80	5.30	5.30	Ydy	100,000	20 days withdrawal notice
	Index 160	6.80	6.80	5.30	5.30	Ydy	100,000	20 days withdrawal notice
	Index 170	6.80	6.80	5.30	5.30	Ydy	100,000	20 days withdrawal notice
	Index 180	6.80	6.80	5.30	5.30	Ydy	100,000	20 days withdrawal notice
	Index 190	6.80	6.80	5.30	5.30	Ydy	100,000	20 days withdrawal notice
	Index 200	6.80	6.80	5.30	5.30	Ydy	100,000	20 days withdrawal notice
	Index 210	6.80	6.80	5.30	5.30	Ydy	100,000	20 days withdrawal notice
	Index 220	6.80	6.80	5.30	5.30	Ydy	100,000	20 days withdrawal notice
	Index 230	6.80	6.80	5.30	5.30	Ydy	100,000	20 days withdrawal notice
	Index 240	6.80	6.80	5.30	5.30	Ydy	100,000	20 days withdrawal notice
	Index 250	6.80	6.80	5.30	5.30	Ydy	100,000	20 days withdrawal notice
	Index 260	6.80	6.80	5.30	5.30	Ydy	100,000	20 days withdrawal notice
	Index 270	6.80	6.80	5.30	5.30	Ydy	100,000	20 days withdrawal notice
	Index 280	6.80	6.80	5.30	5.30	Ydy	100,000	20 days withdrawal notice
	Index 290	6.80	6.80	5.30	5.30	Ydy	100,000	20 days withdrawal notice
	Index 300	6.80	6.80	5.30	5.30	Ydy	100,000	20 days withdrawal notice
	Index 310	6.80	6.80	5.30	5.30	Ydy	100,000	20 days withdrawal notice
	Index 320	6.80	6.80	5.30	5.30	Ydy	100,000	20 days withdrawal notice
	Index 330	6.80	6.80	5.30	5.30	Ydy	100,000	20 days withdrawal notice
	Index 340	6.80	6.80	5.30	5.30	Ydy	100,000	20 days withdrawal notice
	Index 350	6.80	6.80	5.30	5.30	Ydy	100,000	20 days withdrawal notice
	Index 360	6.80	6.80	5.30	5.30	Ydy	100,000	20 days withdrawal notice
	Index 370	6.80	6.80	5.30	5.30	Ydy	100,000	20 days withdrawal notice
	Index 380	6.80	6.80	5.30	5.30	Ydy	100,000	20 days withdrawal notice
	Index 390	6.80	6.80	5.30	5.30	Ydy	100,000	20 days withdrawal notice
	Index 400	6.80	6.80	5.30	5.30	Ydy	100,000	20 days withdrawal notice
	Index 410	6.80	6.80	5.30	5.30	Ydy	100,000	20 days withdrawal notice
	Index 420	6.80	6.80	5.30	5.30	Ydy	100,000	20 days withdrawal notice
	Index 430	6.80	6.80	5.30	5.30	Ydy	100,000	20 days withdrawal notice
	Index 440	6.80	6.80	5.30	5.30	Ydy	100,000	20 days withdrawal notice
	Index 450	6.80	6.80	5.30	5.30	Ydy	100,000	20 days withdrawal notice
	Index 460	6.80	6.80	5.30	5.30	Ydy	100,000	20 days withdrawal notice
	Index 470	6.80	6.80	5.30	5.30	Ydy	100,000	20 days withdrawal notice
	Index 480	6.80	6.80	5.30	5.30	Ydy	100,000	20 days withdrawal notice
	Index 490	6.80	6.80	5.30	5.30	Ydy	100,000	20 days withdrawal notice
	Index 500	6.80	6.80	5.30	5.30	Ydy	100,000	20 days withdrawal notice
	Index 510	6.80	6.80	5.30	5.30	Ydy	100,000	20 days withdrawal notice
	Index 520	6.80	6.80	5.30	5.30	Ydy	100,000	20 days withdrawal notice
	Index 530	6.80	6.80	5.30	5.30	Ydy	100,000	20 days withdrawal notice
	Index 540	6.80	6.80	5.30	5.30	Ydy	100,000	20 days withdrawal notice
	Index 550	6.80	6.80	5.30	5.30	Ydy	100,000	20 days withdrawal notice
	Index 560	6.80	6.80	5.30	5.30	Ydy	100,000	20 days withdrawal notice
	Index 570	6.80	6.80	5.30	5.30	Ydy	100,000	20 days withdrawal notice
	Index 580	6.80	6.80	5.30	5.30	Ydy	100,000	20 days withdrawal notice
	Index 590	6.80	6.80	5.30	5.30	Ydy	100,000	20 days withdrawal notice
	Index 600	6.80	6.80	5.30	5.30	Ydy	100,000	20 days withdrawal notice
	Index 610	6.80	6.80	5.30	5.30	Ydy	100,000	20 days withdrawal notice
	Index 620	6.80	6.80	5.30	5.30	Ydy	100,000	20 days withdrawal notice
	Index 630	6.80	6.80	5.30	5.30	Ydy	100,000	20 days withdrawal notice
	Index 640	6.80	6.80	5.30	5.30	Ydy	100,000	20 days withdrawal notice
	Index 650	6.80	6.80	5.30	5.30	Ydy	100,000	20 days withdrawal notice
	Index 660	6.80	6.80	5.30	5.30	Ydy	100,000	20 days withdrawal notice
	Index 670	6.80	6.80	5.30	5.30	Ydy	100,000	20 days withdrawal notice
	Index 680	6.80	6.80	5.30	5.30	Ydy	100,000	20 days withdrawal notice
	Index 690	6.80	6.80	5.30	5.30	Ydy	100,000	20 days withdrawal notice
	Index 700	6.80	6.80	5.30	5.30	Ydy	100,000	20 days withdrawal notice
	Index 710	6.80	6.80	5.30	5.30	Ydy	100,000	20 days withdrawal notice
	Index 720	6.80	6.80	5.30	5.30	Ydy	100,000	20 days withdrawal notice
	Index 730	6.80	6.80	5.30	5.30	Ydy	100,000	20 days withdrawal notice
	Index 740	6.80	6.80	5.30	5.30	Ydy	100,000	20 days withdrawal notice
	Index 750	6.80	6.80	5.30	5.30	Ydy	100,000	20 days withdrawal notice
	Index 760	6.80	6.80	5.30	5.30	Ydy	100,000	20 days withdrawal notice
	Index 770	6.80	6.80	5.30	5.30	Ydy	100,000	20 days withdrawal notice
	Index 780	6.80	6.80	5.30	5.30	Ydy	100,000	20 days withdrawal notice
	Index 790	6.80	6.80	5.30	5.30	Ydy	100,000	20 days withdrawal notice
	Index 800	6.80	6.80	5.30	5.30	Ydy	100,000	20 days withdrawal notice
	Index 810	6.80	6.80	5.30	5.30	Ydy	100,000	20 days withdrawal notice
	Index 820	6.80	6.80	5.30	5.30	Ydy	100,000	20 days withdrawal notice
	Index 830	6.80	6.80	5.30	5.30	Ydy	100,000	20 days withdrawal notice
	Index 840	6.80	6.80	5.30	5.30	Ydy	100,000	20 days withdrawal notice
	Index 850	6.80	6.80	5.30	5.30	Ydy	100,000	20 days withdrawal notice
	Index 860	6.80	6.80	5.30	5.30	Ydy	100,000	20 days withdrawal notice
	Index 870	6.80	6.80	5.30	5.30	Ydy	100,000	20 days withdrawal notice
	Index 880	6.80	6.80	5.30	5.30	Ydy	100,000	20 days withdrawal notice
	Index 890	6.80	6.80	5.30	5.30	Ydy	100,000	20 days withdrawal notice
	Index 900	6.80	6.80	5.30	5.30	Ydy	100,000	20 days withdrawal notice
	Index 910	6.80	6.80	5.30	5.30	Ydy	100,000	20 days withdrawal notice
	Index 920	6.80	6.80	5.30	5.30	Ydy	100,000	20 days withdrawal notice
	Index 930	6.80	6.80	5.30	5.30	Ydy	100,000	20 days withdrawal notice
	Index 940	6.80	6.80	5.30	5.30	Ydy	100,000	20 days withdrawal notice
	Index 950	6.80	6.80	5.30	5.30	Ydy	100,000	20 days withdrawal notice
	Index 960	6.80	6.80	5.30	5.30	Ydy	100,000	20 days withdrawal notice
	Index 970	6.80	6.80	5.30	5.30	Ydy	100,000	20 days withdrawal notice
	Index 980	6.80	6.80	5.30	5.30	Ydy	100,000	20 days withdrawal notice
	Index 990	6.80	6.80	5.30	5.30	Ydy	100,000	20 days withdrawal notice
	Index 1000	6.80	6.80	5.30	5.30	Ydy	100,000	20 days withdrawal notice
	Index 1010	6.80	6.80	5.30	5.30	Ydy	100,000	20 days withdrawal notice
	Index 1020	6.80	6.80	5.30	5.30	Ydy	100,000	20 days withdrawal notice
	Index 1030	6.80	6.80	5.30	5.30	Ydy	100,000	20 days withdrawal notice
	Index 1040	6.80	6.80	5.30	5.30	Ydy	100,000	20 days withdrawal notice
	Index 1050	6.80	6.80	5.30	5.30	Ydy	100,000	20 days withdrawal notice
	Index 1060	6.80	6.80	5.30	5.30	Ydy	100,000	20 days withdrawal notice
	Index 1070	6.80	6.80	5.30	5.30	Ydy	100,000	20 days withdrawal notice
	Index 1080	6.80	6.80	5.30	5.30	Ydy	100,000	20 days withdrawal notice
	Index 1090	6.80	6.80	5.30	5.30	Ydy	100,000	20 days withdrawal notice
	Index 1100	6.80	6.80	5.30	5.30	Ydy	100,000	20 days withdrawal notice
	Index 1110	6.80	6.80	5.30	5.30	Ydy	100,000	20 days withdrawal notice
	Index 1120	6.80	6.80	5.30	5.30	Ydy	100,000	20 days withdrawal notice
	Index 1130	6.80	6.80	5.30	5.30	Ydy	100,000	20 days withdrawal notice
	Index 1140	6.80	6.80	5.30	5.30	Ydy	100,000	20 days withdrawal notice
	Index 1150	6.80	6.80	5.30	5.30	Ydy	100,000	20 days withdrawal notice
	Index 1160	6.80	6.80	5.30	5.30	Ydy	100,000	20 days withdrawal notice
	Index 1170	6.80	6.80	5.30	5.30	Ydy	100,000	20 days withdrawal notice
	Index 1180	6.80	6.80	5.30	5.30	Ydy	100,000	20 days withdrawal notice
	Index 1190	6.80	6.80	5.30	5.30	Ydy	100,000	20 days withdrawal notice
	Index 1200	6.80	6.80	5.30	5.30	Ydy	100,000	20 days withdrawal notice
	Index 1210	6.80	6.80	5.30	5.30	Ydy	100,000	20 days withdrawal notice
	Index 1220	6.80	6.80	5.30	5.30	Ydy	100,000	20 days withdrawal notice
	Index 1230	6.80	6.80	5.30	5.30	Ydy	100,000	20 days withdrawal notice
	Index 1240	6.80	6.80	5.30	5.30	Ydy	100,000	20 days withdrawal notice
	Index 1250	6.80	6.80	5.30	5.30	Ydy	100,000	20 days withdrawal notice
	Index 1260	6.80	6.80	5.30	5.30	Ydy	100,000	20 days withdrawal notice
	Index 1270	6.80	6.80	5.30	5.30	Ydy	100,000	20 days withdrawal notice
	Index 1280	6.80	6.80	5.30	5.30	Ydy	100,000	20 days withdrawal notice
	Index 1290	6.80	6.80	5.30	5.30	Ydy	100,000	20 days withdrawal notice
	Index 1300	6.80	6.80	5.30	5.30	Ydy	100,000	20 days withdrawal notice
	Index 1310	6.80	6.80	5.30	5.30	Ydy	100,000	20 days withdrawal notice
	Index 1320	6.80	6.80	5.30	5.30	Ydy	100,000	20 days withdrawal notice
	Index 1330	6.80	6.80	5.30	5.30	Ydy	100,000	20 days withdrawal notice
	Index 1340	6.80	6.80	5.30	5.30	Ydy	100,000	20 days withdrawal notice
	Index 1350	6.80	6.80	5.30	5.30	Ydy	100,000	20 days withdrawal notice
	Index 1360	6.80	6.80	5.30	5.30	Ydy	100,000	20 days withdrawal notice
	Index 1370	6.80	6.80	5.30	5.30	Ydy	100,000	20 days withdrawal notice
	Index 1380	6.80	6.80	5.30	5.30	Ydy	100,000	20 days withdrawal notice
	Index 1390	6.80	6.80	5.30	5.30	Ydy	100,000	20 days withdrawal notice
	Index 1400	6.80	6.80	5.30	5.30	Ydy	100,000	20 days withdrawal notice
	Index 1410	6.80	6.80	5.30	5.30	Ydy	100,000	20 days withdrawal notice
	Index 1420	6.80	6.80	5.30	5.30	Ydy	100,000	20 days withdrawal notice
	Index 1430	6.80	6.80	5.30	5.30	Ydy	100,000	20 days withdrawal notice
	Index 1440	6.80	6.80	5.30	5.30	Ydy	100,000	20 days withdrawal notice
	Index 1450	6.80	6.80	5.30	5.30	Ydy	100,000	20 days withdrawal notice
	Index 1460	6.80	6.80	5.30	5.30	Ydy	100,000	20 days withdrawal notice
	Index 1470	6.80	6.80	5.30	5.30	Ydy	100,000	20 days withdrawal notice
	Index 1480	6.80	6.80	5.30	5.30	Ydy	100,000	20 days withdrawal notice
	Index 1490	6.80	6.80	5.30	5.30	Ydy	100,000	20 days withdrawal notice
	Index 1500	6.80	6.80	5.30	5.30	Ydy	100,000	20 days withdrawal notice
	Index 1510	6.80	6.80	5.30	5.30	Ydy	100,000	20 days withdrawal notice
	Index 1520	6.80	6.80	5.30	5.30	Ydy	100,000	20 days withdrawal notice
	Index 1530	6.80	6.80	5.30	5.30	Ydy	100,000	20 days withdrawal notice
	Index 1540	6.80	6.80	5.30	5.30	Ydy		

FINANCE AND THE FAMILY

A season for tempting trusts

Autumn is here - the season for investment managers to dust off their marketing plans for new trusts to tempt investors, writes *Bethan Hutton*. Fidelity is launching Special Values, an investment trust to be run in parallel to Fidelity's Special Situations unit trust and under the same manager, Anthony Bolton. The idea of special situations is to find under-valued companies which have recovery or growth potential, are potential takeover targets, operate in niche markets, are being restructured or are under-researched.

The other new offering is from BZW Investment Management and Société Générale Strauss Turnbull. It is an unusual concept: an investment trust specialising in companies which will benefit from development of the information infrastructure in the emerging economies of Asia, Europe and Latin America. This includes advertising, broadcasting, electronic hardware and software, newspapers and telecommunications.

NEW INVESTMENT TRUST LAUNCHES															
--- Targets ---															
--- Outside PEP ---															
--- Inside PEP ---															
Manager (Telephone)	Broker	Sector	Warrants	Size £m	Yield %	PEP Cost/£	Swaps Scheme	Issue Price P	Minimum Investment P	Minimum Invest. £	Annual Charge %	Minimum Invest. £	Annual Charge %	Other Period	
■ Fidelity Special Values															
Fidelity (0800 414161)	SG Warburg	UK Growth		1.5	30+	n/a	Yes	Yes	100p	95.5p	£1,000	0.95	n/a	n/a	19/10/94-9/11/94
New twin for Fidelity's Special Situations unit trust, run by Anthony Bolton															
■ Infrastructure Trust															
BZW/Société Générale Strauss Turnbull (0500 202021)	Soc Gen ST	Emerging Mkts		1.5	40+	n/a	No	No	100p	96p	<£2,500	1.25%	n/a	n/a	25/10/94-4/11/94
Innovative trust planning to invest in "information infrastructure" in emerging markets															
■ Lazard Breweries															
Lazard Investors (071 614 3055)	Grig Middleton	UK General		1.5	50m	3%	Yes	n/a	100p	96p	£1,000	1%	n/a	n/a	end Sept for 3 yrs
Specialising in regional brewers, pub companies and others involved in the production or sale of drinks															
■ Proflite Income															
Proflite (0800 986855)	James Capel	UK Inc Growth		1.5	40+	4%+	Yes	Yes	100p	95.1p	2,000	0.8%	2,000	1.6%	22/9/94-13/10/94
Similar investment strategy to existing Proflite High Income unit trust, ranked 30th of 94 funds over five years															
NEW UNIT TRUST LAUNCHES															
Manager (Telephone)	Sector	Target Yield %	Full PEP Cost/£	Swaps Scheme	Charges outside PEP Initial	Charges Annual	Other	Minimum Invest. £	Charges outside PEP Initial	Charges Annual	Other	Minimum Invest. £	Special offer Discount	Other Period	
■ Extra Income Fund															
Save & Prosper (0800 282101)	UK Equity Income	6.25	Yes	Yes	2	1.5	No	1,000	2	1.5	No	1,000	-	10/9/94-30/9/94	
The annual charge is taken out of capital to boost income. About 55 per cent will be invested in bluechips, the rest in fixed-interest stocks.															
* 1 percentage point discount on investments of £10,000-£9,999; no initial charge on £10,000 and above															

Directors' transactions

The largest single transaction of the week was at Iceland, the frozen food-maker and retailer. Peter Hinchcliffe, deputy chairman and joint managing director, sold 1.5m shares although he still holds almost 3 per cent of the company.

□ The eponymous chief executive of Michael Page Group, the recruitment company, is due to retire in 1995. Before he goes, he has been realising some of the growth the shares have accrued over the past few years. Most recently, he sold 2m at 105p each - but he retains more than 1.6m.

□ In recent weeks, there has been a growing amount of selling from the big financial houses. Now, two directors of M&G Group, Anthony Shearer and Ashley Gordon, have sold stock at prices between 104p and 105p. The sales account for a sizeable proportion of their holdings.

□ Peter Wood was responsible for setting up the hugely successful Direct Line Insurance. When it was taken over by Royal Bank of Scotland, he received a considerable amount of equity. His recent sale of more than 800,000 shares leaves him with over 2.4m. Some of the money raised was for his pension fund.

Vivien Macdonald,
The Inside Track

DIRECTORS' SHARE TRANSACTIONS IN THEIR OWN COMPANIES (LISTED & USM)

Company	Sector	Shares	Value	No of directors
SALES				
Amersham Intl	HiTh	4,000	41	1
Armitage Bros	HiTh	7,000	14	1
Assoc. Nursing Serv.	HiTh	8,000	15	1
Church	HiTh	2,000	13	1
Henderson Admin Gp	HiTh	2,200	21	1
Iceland Group	HiTh	1,500,000	2415	1
Lowndes Lambert	HiTh	18,000	36	1
M&G Group	HiTh	26,200	276	2
Marshall	HiTh	40,000	59	1
Mercury Asset Mgmt	HiTh	15,000	100	1
Page (Michael) Gp	HiTh	2,000,000	2100	1
Plasmas	HiTh	25,000	34	1
Rathbone Bros	HiTh	32,000	88	2
Roseby	HiTh	14,000	21	2
R Bank of Scotland	HiTh	820,230	271	1
Scandor	HiTh	2,884	42	1
PURCHASES				
Altrium	HiTh	10,000	47	1
Ashford Group	HiTh	2,500	10	1
BTR	HiTh	3,000	10	1
Bluebird Toys	HiTh	15,000	36	1
Brammer	HiTh	3,000	11	1
Goodie Durrant	HiTh	10,000	20	1
Harrisons & Cros	HiTh	14,000	26	1
John Marshall	HiTh	800,000	32	2
Macdonald Martin	HiTh	4,000	26	1
RCO	HiTh	15,000	26	1
Ransomes	HiTh	50,000	34	1
Smith (J)	HiTh	42,000	45	2
Takara	HiTh	10,000	21	1
UK Land	HiTh	1,657,445	993	2
Visteo	HiTh	500,000	115	1
WPP Group	HiTh	1,129,305	1,289	1
Warburg, S.G.	HiTh	23,000	180	1

Value expressed in £000s. This list contains all transactions, including the exercise of options (if 100% subsequently sold, with a value over £10,000). Information released by the Stock Exchange 3-7 September 1994. Source: Directus Ltd, The Inside Track, Edinburgh

HIGHEST RATES FOR YOUR MONEY

Account	Telephone	Notice/term	Minimum deposit	Rate %	Inst. Ptd.
INSTANT ACCESS A/cs					
Portman BS	Instant Access	0202 292444	Instant	5.00%	Yy
Bradford & Bingley BS	Direct Premium	0345 248348	Instant	5.10%	Yy
Skipton BS	3 High Street	0756 700511	Instant	5.10%	Yy
Nationwide BS	Investdirect	0800 855511	Instant	5.20%	Yy
NOTICE A/cs and BONDS					
Bradford & Bingley	Direct Notice	0345 248348	30 Day (P)	5.10%	Yy
Northern Rock BS	Postal 90	0500 505000	60 Day (P)	5.55%	Yy
Universal BS	1 Yr. High Option	091 232 0873	90 Day	5.80%	Yy
Coventry BS	Fixed Rate Income	0800 126125	31.8.97	5.80%	Yy
MONTHLY INTEREST					
Britannia BS	Capital Trust	0538 391741	Postal	5.37%	My
Bradford & Bingley BS	Direct Notice	0345 248348	30 Day (P)	5.37%	My
Universal BS	1 Yr. High Option	091 232 0873	90 Day	5.80%	Yy
Coventry BS	Fixed Rate Income	0800 126125	31.8.97	5.80%	Yy
TESSAs (Tax Free)					
Market Harborough BS		0658 463244	5 Year	7.50%	Yy
Hinckley & Rugby BS		0455 251234	5 Year	7.35%	Yy
Holmesdale BS		0737 245716	5 Year	7.15%	Yy
Nottingham BS		0602 481444	5 Year	7.10%	Yy
HIGH INTEREST CHEQUE A/cs (Gross)					
Woolwich BS	Current	0800 400800	Instant	5.50%	Yy
Hatfield BS	Asset Reserve	0422 335353	Instant	5.50%	Yy
Chelsea BS	Classic Postal	0800 717515	Instant	5.75%	Yy
OFFSHORE ACCOUNTS (Gross)					
Woolwich Guernsey Ltd	International	0481 715735	Instant	5.75%	Yy
Portman Channel Islands	Gold Plus	0481 822747	90 Day	5.85%	Yy
Yorkshire Guernsey Ltd	O'Shane Key Ex	0481 710150	180 Day	7.00%	Yy
Hatfield BS	Fixed Rate	0534 58840	5 Year	6.80%	Yy
GUARANTEED INCOME BONDS (Net)					
Liberty Life		081 440 8210	1 Year	5.50%	Yy
AG Life		081 680 7172	2 Year	6.10%	Yy
Premium Life		0444 455721	3 Year	6.80%	Yy
General Portfolio		0273 462836	4 Year	7.30%	Yy
EuroLife		071 454 0105	5 Year	7.80%	Yy
NATIONAL SAVINGS A/cs & BONDS (Gross)					
Investment A/c			1 Month	5.25%	Yy
Income Bonds			3 Month	5.50%	Yy
Capital Bonds H			5 Year	7.25%	OM
First Option Bond			12 Month	6.00%	Yy
Pensioners GIB			5 Year	7.00%	Yy
MAT SAVINGS CERTIFICATES (Tax Free)					
41st Issue			5 Year	5.40%	OM
7th Index Linked			5 Year	3.00%	OM
Childrens Bond F			5 Year	2.5%	OM

This table covers major banks and Building Societies only. All rates (except those under heading Guaranteed Income Bonds) are shown Gross. F = Fixed Rate (All other rates are variable). OM = Interest paid on maturity. N = Net Rate. P = By Post only. A = Feeder account also required. G = 5.75 per cent on £500 and above; 6 per cent on £25,000 and above; H = 6.75 per cent on £25,000 and above; L = 6.40 per cent on £20,000 and above. Source: MONEYFACTS, The Monthly Guide to Investment and Mortgage Rates, Laundry Lane, North Walsham, Norfolk, NP23 0SD. Readers can obtain an introductory copy by phoning 0682 500685. Figures compiled on: 15 September 1994

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When nil is not negligible

Q&A

BRIEF CASE

No legal responsibility can be accepted by the Financial Times for the answers given in these columns. All inquiries will be answered by post as soon as possible.

Under section 24(2) of the Taxation of Chargeable Gains Act 1992, when an asset has become of negligible value, what is the advantage of claiming that the asset has been sold and re-acquired at the specified value?

Can't it be claimed simply that it has a negligible value? Is negligible value the same as "nil" value for CGT purposes?

■ Section 24(2) of the Taxation of Chargeable Gains Act 1992 says: "If, on a claim by the owner of an asset, the inspector is satisfied that the value of an asset has become negligible, he may allow the claim; and thereupon, this act shall have effect as if the claimant had sold, and immediately re-acquired, the asset for consideration of an amount equal to the value specified in the claim."

As you will see, the claimant has to specify his estimate of the asset's present value in the claim.

No, "negligible" does not mean "nil": there is a contrast between the phrase "the value... has become negligible" in section 24(2), and the phrase "becomes valueless" in section 146(2). Both phrases originated in the Finance Act 1965, so parliament's intention to distinguish between negligible values and zero value is beyond question.

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■ You should approach the idea of selling your house to a finance or other company with extreme caution.

There are, however, arrangements which may well be mutually profitable in your situation and, therefore, we suggest you contact Age Concern at Astral House, 1368 London Road, London SW16 4ER (tel: 081-679 8000).

Ask for a copy of its book, *Using Your Home as Capital* (price £4.50) and its free fact sheet number 12. (Answer by Murray Johnstone, Personal Asset Management).

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A British lady now aged 71, previously resident and domiciled in England, emigrated to South Africa four years ago. As her son lives there, she has no intention of returning to live permanently in the British Isles.

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	To 30th June 1994	To 30th June 1993
	£m	£m
Net interest income	46.0	43.7
Other income and charges	12.3	10.3
Total income	58.3	54.0
Administrative expenses	(30.0)	(27.2)
Profit before provisions and tax	28.3	26.8
Loss provisions	(3.6)	(8.9)
Profit before taxation	24.7	17.9
Taxation	(8.4)	(5.9)
Profit after taxation	16.3	12.0



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PERSPECTIVES

As They Say in Europe

A French youth, free of innocence

Suppose Edward Heath, the British prime minister from 1970 to 1974, had been mixed up with Oswald Mosley's fascist movement in the 1930s and had helped draw up a list of undesirable to help an eventual occupying power.

Even in secretive Britain it might have emerged that he was not, perhaps, a wholly suitable potential leader. At the very least the cabinet secretary would have been tipped off by the head of MI6: "Ted hasn't got 30 shillings for the pound," or some such argot would have slipped him.

In France, things are different. A bit of fascist collusion for a man of François Mitterrand's generation was not exceptional. Then a bit of light work on the other side and one could emerge from the cocoon of collaboration as a butterfly of the resistance. But Mitterrand, at a time of his own choosing, has co-operated in revealing the truth about his past. Admittedly the French president did wait until the last days of his presidency and maybe his life, to come clean, but come clean he did in backing the now well-known book by Pierre Pétain, *Un jeune homme français*.

Thank, and the serious worries about his health, led to a long television interview on Monday. There, Mitterrand argued that he had not done much that was wrong. He had been a bit late in changing sides. He had befriended the man who had been the Nazis' manager of the Holocaust in France, René Bousquet. But Bousquet had been publicly cleared, even though his associates had left nobody in any doubt as to his central role in the matter.

The newspapers reacted diversely. *Libération* said that anyone looking for a *mea culpa* when it came to Bousquet might well have spared themselves the trouble. One provincial paper thought the president could end his term with a clear conscience.

There was alarm about the role of the press in France, but even that took different forms. *Le Figaro* said the press had turned on Mitterrand as it had turned on other presidents at the end of their reign: "That is the way it goes in the world of French media, strong with the weak and weak with the strong."

But, as is usual with *Le Figaro*, the reality is different. Most facts about Mitterrand, it seems, were, by and large, in or near the public domain. It would not have taken much to show he was on the fringes of the nastier xenophobic groups in the 1930s and that he dined with Bousquet in the 1980s.

'A bit of fascist collusion for a man of Mitterrand's generation was not exceptional'

After all, he deposited a wreath on the tomb of the Vichy leader, Marshal Pétain, annually until public opinion forced a change a few years ago.

So the question is, why was it that the truth did not come out until Mitterrand himself asked it? Only *Le Monde* has taken this question to heart. Its in-house ombudsman, André Laurens, wrote a 5,000 word piece headed: "François Mitterrand under the eye of *Le Monde*." He explained how the paper had played a vital role in exposing the many scandals of his reign and got into trouble as a result. The irony is that the paper is reproached for the one hand for not having told what it did not and could not know, and on the other for not having believed the statements of public figures.

Those who expose unpleasant secrets in France do get into trouble. But the problem of Mitterrand runs deeper

than that. The French cannot resolve it. They like to think Charles de Gaulle was the presidential incarnation of France, but of course the truth is that Mitterrand is the mirror of the nation. He is the two Frances, the nation of the enlightenment, the revolution and liberty. And of xenophobia, anti-republicanism and intolerance.

Mitterrand symbolises the contradictory aspects of France's recent past - the ideological opportunism and the unique nature of French collaboration with the Nazis, the myths of the resistance, the creation of a successful modern state and the continuity of pointless minorities on the far left and far right.

The National Front leapt to his defence. Its weekly, *National-Écho*, ran the headline: "Nothing got excited about" and reported that anybody who had read the far-right press would have been familiar with all Mitterrand's transactions with the Vichy regime and he had done nothing wrong anyway.

The curious fact is that France's great figures, unlike Mitterrand, always emerge from some glorious national *salon des réfugiés*. They are outsiders - Henri IV and Napoleon for example, or rejects and rebels - Voltaire, Lavoisier, Victor Hugo and de Gaulle.

In Britain, by contrast, all national heroes - Elizabeth I, Shakespeare, Adam Smith - were heroes to their contemporaries. Sometimes that is a fluke of history. No British leader could have faced the choices that confronted Mitterrand: none could have supplied appropriately damaging material for a sensational political biography called "A Youth of an Englishman". So no Englishman can master the arcane intellectual skills that come so easily to the French. He has no need of them.

James Morgan is economics correspondent of the BBC World Service.



Reach for the sky: David Parker, owner of Headcorn Parachute Club with parachutists Cécily Riddle and Thomas Shephard

Minding Your Own Business

Flying solo in turbulent air

Simon Walsh meets a City escapee whose dream has taken some nightmarish twists

"I can remember arriving back at work on Monday morning after a weekend's parachuting, going back to jump that evening, jumping again on the Tuesday morning and still being back behind my desk by 9am."

Estwille, the foreign exchange dealer David Parker recalls how in 1976 he found that life on the Square Mile was good, but not good enough.

"I was getting by in the fir-

sign exchange market and I was enjoying it, but I didn't feel I was going anywhere, and I didn't fancy spending the rest of my life as a passed over foreign exchange dealer rattling into Bank tube station five days a week.

"The obvious solution was to set up in sport parachuting. At that time most clubs were informal groups getting together and pooling resources.

"I thought there would be room for a seven-day-a-week sport parachuting centre, working as a fully commercial operation."

"I wrote to 30 such groups asking if they liked the idea of going full time on a commercial basis."

Among the groups to respond was one based on Headcorn Aerodrome in Kent. He liked the location: "Probably one of the most densely populated areas in the UK, with Greater London and the South East for a catchment area; and at that time there was little competition."

The Headcorn Parachute Club began trading in 1979 on capital of £5,000. There was no shortage of weekend adventurers willing to hand over good money to let go of a Cessna 206 at 2,000ft.

"The problem was how to make a profit from the cost-intensive business of flying an aircraft, and hiring a space at the airfield while keeping prices within reach of the market."

"It's an equation which is really quite difficult to unravel. We would lose quite significantly on experienced jumpers going to altitude - 10,000ft or over, while we would make money on the

loads of students jumping from 2,000ft, as they would be paying more money for less time in the aircraft."

"The mainstay of our revenue has always been the student jumps and it still is. However we do not now make the losses that we used to make, even on a percentage basis - because we have bigger aircraft, have become more efficient, and prices have caught up somewhat."

"The cost of running our Britain Islander aircraft is £250 per hour at break even. We charge £18 a head for an altitude lift of nine people so that generates an income of £126. We can do two of those in an hour."

"If we put seven students in, each paying £20 we have an income of £175 and it only takes 15 minutes, so you have a potential to earn £700 per hour, which is a good profit."

"However, if you have winds under 10mph, you will be taking up students. Over 10mph and you can take only experienced jumpers."

"You cannot run an exclusively student-oriented operation because you would never have enough instructors, and if you did you would never progress into a fully-fledged parachute centre."

David formed two further companies, Slipstream Adventures to provide "Accelerated Freefall", an advanced form of training that allows beginners to experience freefall on their first jump, and the Kit Store to market parachutes and related equipment.

"The Kit Store, says David, has a steady turnover of £120,000 a year. Most of the profit goes in management

fees. But the income I do get is income I don't have to work for at all, and there's not a lot of capital tied up in it. It's just set up, and I move on to less runs itself."

In April of 1988 David invested in a turbo prop aircraft, expensive to buy, but cheaper to run, and with a much longer working life.

In March of 1989 the aircraft was taking when a parachutist, in the final stages of descent, collided with one of the propellers and was killed. The parachutist was Tania Pond, David's fiancée.

"It was the most devastating experience of my life. It took me a long time before I could come back here and fulfil any useful role. I would just come in, sign the checks and go away again."

"Of course it's always there and always will be there, but time is a great healer. Life must go on, and you cannot go on in grief for the rest of your life."

He lost the aircraft, and what was to follow would lend precious little comfort.

"I borrowed £100,000 from a finance company in 1988 to purchase the Turbine Islander."

"When we had the accident it left us with a repair bill in excess of £100,000, which we took out of cashflow. Then the aircraft hull insurers refused to pay up, as did the parachutist's third party insurers."

"The net result of that was having put £100,000 into repairing the aircraft, I could no longer afford to maintain it."

"I asked the finance company to repossess the aircraft. They repossessed it, but have done nothing with it. It's just been left sitting here."

"They're now saying they've lent this money and want it back with interest. I'm saying the aircraft was worth at least £200,000 when they repossessed it, but is now a rusting hulk, and that they should have sold it when they took possession, used it constructively, or at least looked after it properly."

"Up till now we were just writing letters to each other, but I found out recently that now they are going to sue my company and me personally. We will obviously fight it with everything we've got."

Last year, figures for two of the three companies dipped. Headcorn Parachute Club lost £31,000 on turnover of £286,000 against a 1992 profit of £65,000 on turnover of £237,000 in 1992. Slipstream made just £800 on turnover of £59,000, down from £15,000 profit on £88,000 turnover the year before.

Parker expects Headcorn to move back into profit this year. He says he refuses to be beaten.

"Running a full-time parachute centre is not so much a business venture, more a vocation requiring business acumen. You are working without respite, no break whatsoever. What brings you through is your love of the sport."

"Yes, we are riding some extremely rough waters right now, but no, we are not on the rocks."

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Albania's long road back

Continued from Page 1

end of town. He also speaks fluent English, which was self-taught. It made a considerable impact when he visited London recently and was received at Buckingham Palace.

Berisha is a passionate man, and he speaks with a directness and conviction that moves audiences. Another of his skills, apparently, is an ability to make snap decisions - acquired as a doctor.

"The communists' greatest crime," he tells us, "was to isolate us from the world. This made Albania a third world country, the only one in Europe." The remedy is the free market, foreign investment, privatisation and a stock exchange. All this is to be done as quickly as possible, says the president, who has dispatched teams to the UK to study its privatisation experience.

"When we tried to privatise the bread industry, people said: how can you do that? But, in the old days, we had bread only three or five days a week. We had to import wheat and transport it around the country to meet shortages. Today, our warehouses are full." He relays with pride the results of a Europe-wide Gallup poll which showed that 72 per cent

of Albanians approved of privatisation, the highest in any country.

Berisha is particularly keen to dispel the image of Albania as a land hostile to outsiders (it was a crime under communism to speak to foreigners or accept foreign finance). "The attitude of Albanians has completely changed," he explains. "They understand the importance of foreign investment."

There is huge scope for outside investment: apart from oil, Albania has copper, chromium

and considerable tourism potential.

The president is delighted that foreign capital has begun to trickle in, even though Albania lives under "the shadow of war" in Bosnia and has difficult relations with all its immediate neighbours. The recent imprisonment of five members of the Greek minority on espionage charges has put a severe strain on ties with Athens, and reinforced the argument that less has changed in Albania than the

government would have people believe. The Greeks have blocked a proposed aid programme from the European Community. Berisha shrugs: "We are realistic. We will have to wait."

Back at the airport, there is evidence for his optimism. Two flights, Alitalia and Austrian Airlines, have landed and are disgorging dozens of people with suits and briefcases. There are now daily flights to several European cities, and most are full.

On the flight back to London, I am sitting beside Pavil Qesku, the Albanian ambassador to the UK. A lightly-built man with lively, dark eyes and a shock of silver hair, he tells me about his own past. A lexicographer, he has just completed the first comprehensive Albanian-English dictionary.

I ask him what characterised Albania and its people, with their unique Illyrian origins. "The Albanian language survived 500 years of Roman occupation, and then 500 years under the Turks and the constant threat of Slav invasion," he replies.

"But the first book was not published until 1555, and the first Albanian language school did not open until 1879. The survival gene is very strong." I had to agree.

Symbol of repression: a pill-box on the landscape

Correspondent

PERSPECTIVES

Escape from the Himalayas: a family's ordeal

Stefan Wagstyl advises travellers to India to be prepared for surprises after his adventures in the mountains

The soldier poked around in the boot and asked: "Have you got any bombs or guns?" "No," replied our driver. "Well, be on your way," said the guard, slinging an ancient Lee Enfield rifle on his shoulder and wrapping his cloak around him to keep out the icy early morning wind.

The Drass Valley, in the Himalayas in the north Indian state of Jammu and Kashmir, is the second coldest inhabited place on earth after Siberia. The towering mountains keep out the sun so effectively that even in summer in the narrowest parts of the valley, the snow and ice never thaw.

The valley is also full of soldiers, being less than three miles in places from the disputed border with Pakistan.

I had never had the slightest intention of visiting this remote and hostile territory, particularly not with my wife and three small children. But travellers in India have to allow for even the most unlikely surprises.

Our adventures began with a five-day holiday in the mountain kingdom of Ladakh, lying just inside India's border with China. Most of Ladakh lies north of the Himalayas; the mountains block the rains and snows so Ladakh gets as little water as the Sahara. But there is a wild beauty about its rocky landscapes and about the bright green oases which flourish around streams and rivers, including the Indus, which flows through the heart of the region. At 11,000ft and more, the thin air is so clear that everything seems closer than it really is, making the landscapes unbelievably vivid.

The first Ladakhis were Tibetan nomads who brought with them Tibetan Buddhism and a language which is closer to Tibetan than to any Indian tongue. Their white-painted monasteries cling to the mountains and their stupas and prayer stones dot the valleys like the relics of some prehistoric civilisation. Even though Leh, the

Ladakh capital, has been turned into a military base by Indian troops guarding the disputed frontiers with Pakistan and China, Ladakhis people have managed to preserve their gentle and spiritual culture.

But, despite its other-worldliness, Ladakh is remarkably accessible - being only a one-hour flight from Delhi. So, a trip to Ladakh is a good way to spend a long weekend - but only if the weather is kind. For us, it was not.

The sun shone from a cloudless sky for the first four days, ideal conditions for aircraft at Leh airport. But on our last day the clouds came down and showed no sign of lifting. Even though the air force keeps the airport running all year round, there is nothing it can do

'The manager said the aircraft could come the next day or the next week'

about the cloud. After waiting for three hours, we heard the flight was cancelled. The airport manager said the aircraft could come the next day or the next week. "You are lucky. In winter we are sometimes closed for a month," he added helpfully.

Our hearts sank. The idea of an indefinite wait did not appeal, particularly as this was the beginning of September and the temperatures were already dropping fast from their brief summer highs. The children had already seen as many yaks as they wanted and moaned at the thought of more days in the terrestrial equivalent of outer space.

The only alternative to flying was the road. A two-day trip - either west to Srinagar, the capital of Kashmir, or south to Kulu, a hill station on the southern side of the mountains. Srinagar, with its political troubles did not appeal in the slightest. But the airport at Kulu is also frequently closed by bad weather. So, anxiously we opted for

Srinagar.

We stocked up with apples and chocolate and with bread and cakes from Leh's German Bakery, which is capable of turning out wonderful apple cheesecake in the most unlikely surroundings.

A car was found - one of India's venerable fleet of Ambassadors, the Morris Oxford lookalikes. Regan, the driver, promised he did not drink and had never had an accident. With considerable trepidation, we set off.

The road started by winding across the long valley of central Ladakh. The clouds grew thicker and the winds blew grit and sand in all directions. We saw bedraggled-looking sheep and goats, and, at one point, a couple of foreign trackers, huddled together under a sign proclaiming the virtues of Himalank, the corps of army engineers who built the road.

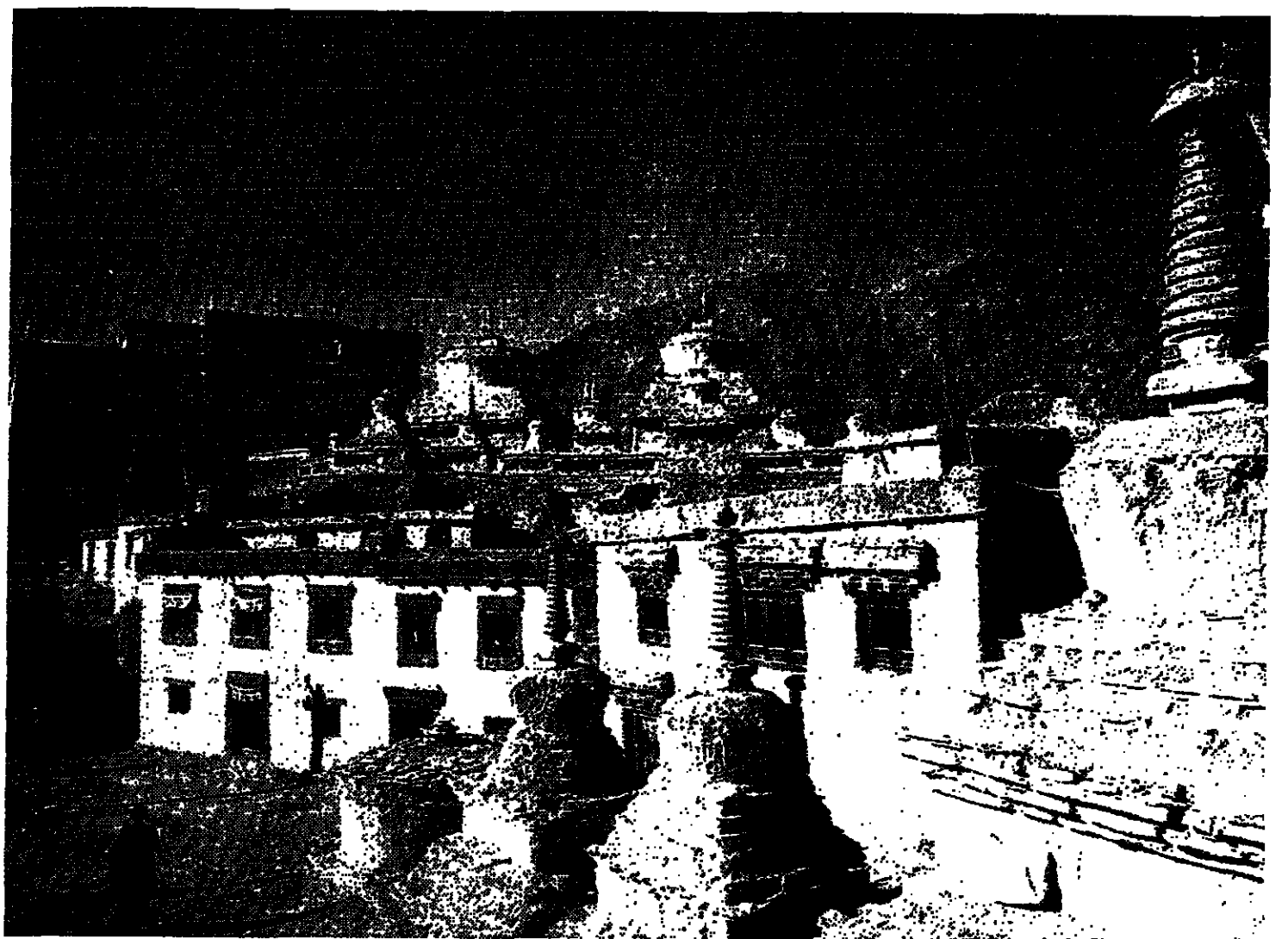
The plateau ended abruptly and the road snaked down to the Indus, through the first of many sets of hairpins we would see. No crash barriers, here or anywhere else. We winced at the sight of a truck lying upside down on the rocks below.

The road is open for only six months of the year. It is closed in winter and spring when the waters released by the thaw wash away chunks of asphalt. We saw gangs of workmen repairing the roads, digging holes and breaking rocks, their faces blackened with the tar they heat on open fires.

They were not Ladakhis or Kashmiris, but migrant labourers from the plains of Bihar, India's poorest state. About 1,000 miles from home, they seemed more out-of-place than we did.

The Ladakhi villages we passed looked surprisingly prosperous. With their yaks, sheep and goats, their fields of barley and orchards of apples and apricots, they seemed to have learned to live well in the harsh terrain.

By the afternoon of the first day, we reached the Fortuna Pass, at 13,500ft, the highest point between Leh and Srinagar. The mountains here fold into even stranger and



The kingdom of Ladakh, where white-painted monasteries cling to the mountains

wilder formations than around Leh. There are walls of brown and yellow like those of the Grand Canyon, Dolomite-like spires of grey and black, and purple craters which might belong better on another planet.

The moon-shaped viewing point," said a sign, pointing out the obvious.

Below the pass, the landscape gradually became greener and the villages larger. Among them was Mullbekh, site of a 2,000-year-old statue of Buddha carved out of a single rocky outcrop standing by the road. We stopped to stare at its enormous bulk. The priest stared back at our children, perhaps the first white children he had seen.

Exhausted, we reached Kargil, the only town between Leh and Srinagar and our halt for the night. The Caravan Serai Hotel was about to close for the season. But the owner, Mr Iqbal prepared two bedrooms and a supper of lentils, rice, boiled potatoes and cauliflower.

He apologised for the service, explaining that things had been better "before the militancy". It was the first reference we had heard to the insurgency which has left at

least 10,000 dead in Kashmir since it broke out in earnest in 1989.

The following day, evidence of the fighting multiplied as we crawled closer to Srinagar. Leaving Kargil, the last outpost of Buddhism, we drove into the heartland of the troubled Moslem region of Kashmir. The

'Evidence of the fighting grew the closer we crawled to Srinagar'

landscape was as spectacular as the day before, but less barren, with grass and trees on the lower slopes of the Drass Valley and the Zojila Pass, the only gateway between the heart of Kashmir and Ladakh.

Our impressions were dominated by the presence of the army, which controls the route. Soldiers with machine guns man outposts along the single track road. The traffic is one-way - in the morning and early afternoon traffic it moves from Kar-

gila to Srinagar; then the other way around.

An army convoy heads the queue in each direction, spewing diesel fumes and stopping frequently to make sure that even the oldest vehicles do not get left behind. Then come taxis, buses and lorries.

We drove just behind the army, starting for much of the way at the machine guns of three soldiers sitting in the last jeep. The soldiers became nervous as they reached closer to the top of the pass, scene of one of the few pitched battles of the insurgency.

But even here, nature demanded as much respect as the militants. The army trucks stopped one by one for the drivers to worship at a small Hindu shrine, a memorial to dead sappers. Since the road at this point clung to the face of a 3,000ft cliff, it was, I felt, an appropriate time for prayer. Even the children were quiet for a while, awed by enormous slabs of rock, guarding this, the entrance to the Himalayas.

Below the Zojila the road was easy, winding down a gentle valley to Srinagar. But the army became more and more intrusive. In 50

miles, we were stopped six times at sand-bagged checkpoints.

As foreigners we were treated reasonably well, unlike the Kashmiris, who hate the soldiers as much as the soldiers seem to hate them. We saw about 20 men standing in line along the road, while soldiers searched their bus, throwing the luggage out into a roadside ditch.

In the late afternoon we finally reached the lovely green lakes of Srinagar and the comfortable houseboats of Mr Ghulam Butt.

After the rigours of our journey, I immediately knew what a Mughal poet meant when he said of Srinagar: "If there is paradise on earth, it is here, it is here, it is here." The houseboats were moored by flower-filled gardens. Kingfishers perched on the decks. Ramzan, the bearer, brought tea and home-made scones.

But even here, the effects of the fighting were visible - in the empty pages of Mr Butt's visitors' book and in the rotting timbers of the boats he could no longer afford to maintain. The boatman mournfully looked at our children and said: "Yours are the first white children I have seen in five years."

The Japanese have a quaint habit of proclaiming various venerable personages living treasures - to be cared for and looked after much in the same way as the British list their buildings or the Americans preserve their redwoods.

If Ireland were to adopt the Japanese system - instead of waiting until anyone is well and truly dead before proclaiming him or her "a great character and a credit to the nation" - my friend Arthur McCoy would be a prime candidate.

Nothing like settling back in the warm seat of a Dublin bar after a long absence from the country and listening to Arthur ("The Real") wind himself up to tell a story.

Arthur is to the meat trade what Coco Chanel was to fashion or Henry Ford to the motor car. Arthur knows every meat mart and abattoir in Europe. He knows the trade's every wrinkle. Arthur was once hired as a meat detective, tracking down container loads of beef that had gone missing under mysterious circumstances.

"Once I saw a wagon going the wrong way on the Autobahn in Germany. Instead of heading for Syria it was going to Finland. When I finally caught up with it there was one rump steak left in it. Driver had met up with a girl in Hamburg and done a runner."

"I had to go down to his mother's house in Kerry looking for him. She starts crying saying she didn't know what had happened to her Shane. I says to her that while I sympathised with her I didn't know what had happened to my container load of meat either."

As every raconteur knows, it is not just the story, it's the way of telling it. Arthur had a serious car accident recently. He stands to tell the tale, a large vodka and red lemonade in one hand, a cigarette in the other - waved round like a conductor's baton at moments of particular emphasis.

"Wait till I tell you now," he says in that Dublin growl similar to sandpaper being scraped across the bottom of a bird cage.

Your knee is tapped to ensure full attention. Arthur clears his throat and casts a masterly eye over his audience in an effort to achieve some degree of quiet.

"The first thing I admit was that I was stupid. There I was happily belting along the



Articulated truck v articulate Arthur

Kieran Cooke returns to old Dublin haunts and has a close encounter with a master raconteur

motorway in Northern Ireland, not a care in the world. Next thing I know the car is entered for the 3.30 at Cheltenham and is leaping up over the barrier, doing a somersault.

"Out through the front window I go and I'm sliding along the other side of the road. Now while all this is going on I'm thinking that I'm going to ruin my suit. Funny what comes to mind at such times."

A gulp of the drink followed by a deep puff of cigarette - removed from the lips with all the flourish of Pavarotti using his handkerchief.

"An articulated truck is coming the other way. I can hear the tsuk, tsuk of the brakes." (Arthur is bent down, imitating a container truck. He is pulling on handles and pressing brakes. The vodka red tosses about in the glass but not a drop is spilled.)

"I see the smoke coming

from the tyres and the radiator with the word Volvo getting bigger all the time...next thing I know I'm in an ambulance with an Ulsterman asking am I all right. For a second there I wondered which place I was in. I introduce myself and say that I never felt better."

"Anyway," (another tap on the knee just in case your attention is not entirely on the matter at hand) "they have me up in court. Now I was cute about it." (A knowing wink and slight inclination of the head here.)

"I used my full name - Arthur Lesley McCoy. You see the Lesley is very important in Northern Ireland. It shows them I have a foot in both camps so to speak. They can't really decide whether I'm one of them or one of us." (Coughs, choking laughter. Drinks all round.)

"Come here while I tell you.

The magistrate asks what I have to say for myself."

"Well, your worship, sir, nothing."

"Nothing Mr McCoy?" says he, raising a quizzical eye over his half glasses.

"Well, your lordship, I'm guilty. You have me fair and square. Carelessness. Foolishness. I was going too fast. Daydreaming. Lost control and over she went. I'm very sorry."

"The magistrate takes off his glasses and rubs his eyes."

Arthur, taking a gulp of his drink, does the same, massaging his palm round a couple of bloodshot sockets.

"Mr McCoy," says your man. "By all accounts you had a very close shave with death."

"I would describe it as more like a photo finish your honour," says I.

"With that the whole place was laughing. A £100 fine and I was out."

Truth of the Matter/Nigel Spivey

Golden serials for tea

Sunday afternoon is when it strikes. You have unloaded the shopping. You have grappled with all 12 sections of the newspaper, and won. The dishwasher chuckles comfortably. The dogs are in their baskets and the kids glued to their computer terminals. But then there is the terrible feeling of something missing in the day.

Where is the classic serial?

Like a shot of guilt, or irredeemable nostalgia, you register this absence. Once it was always there, as regular as vespers. It might be Louis Stevenson, it might be E. Nesbit or, best of all, a triple-decker Dickens with Arthur Lowe (of *Dad's Army* fame) playing Mr Micawber.

For about an hour, everything was right with the world with a giant pot of tea, pyramids of buttered toast and the television (for once) serving as a genuine focus - a place where families might huddle and coalesce: a flickering, gladdening, substitute hearth.

It was, of course, Lord Reith's BBC, or the vestiges of it; and everyone knows that Reith, on record as regarding television as "a social menace of the first degree", brought the full weight of Scottish Presbyterianism to Sunday broadcasting. Until 1967, in fact, Reith created a break in transmission early in the evening in order not to distract church-goers.

Before the break, there would be a play for children, perhaps a Shakespeare adaptation; afterwards, something contemporary (say, J.B. Priestley) or "classic" (Chekhov, Shaw, O'Casey and many others); the range was formidable.

That this aspect of Reith's Sabbath has disappeared will be defended aggressively by the present BBC and its director-general, John Birt. Back at the birth of television (it will argue), we were accused of depriving children of the delights of reading novels by themselves. Now, you beg us to adapt those novels for the screen and, at the same time (to preserve your weekend lie-in), to wean those children on the same bland pabulum of morning cartoons as the commercial stations.

On those grounds, the disclamation of Birt's BBC to follow Reith's pattern of editing Sundays is just about pardonable. What is less comprehensible are the complaints voiced at the Edinburgh television festival recently by Greg Dyke, erstwhile head of London Weekend Television.

His concerns are twofold: first, that "in commercial broadcasting, the delicate balance of being both a business and a broadcaster is in danger of being too dominated by business"; and, second, that "the relationship between government and broadcasters is becoming a dependent one."

The logic of this double grudge is odd. He wants the BBC's transmission system to be privatised ("to take it out of

the political arena"); and he wants it "to be told that it is not the role of the BBC to get involved in the commercial marketplace". Otherwise, he claims, the *raison d'être* of the licence fee is gone.

For a patent example of television's vulnerability to state paternalism, one has only to look across at Silvio Berlusconi's Italy where the viewing public has, effectively, become one politician's audience.

The politics of the licence fee, however, are secondary to what one might call its ethics, or even its aesthetics. Vested interests always will intimidate the production of probing documentaries: but what has happened to that old article of faith in the BBC: that television is Britain's only truly

"national theatre"?

Lamenting the loss of the classic Sunday serial might seem about as fogeyistic as bemoaning the lack of woodcuts in the *Radio Times*, and equally futile. And deploring Birt's commercialism is too commonplace to repeat here.

Yet, it remains frustrating to know that the BBC has, via the licence fee, the capacity (witness *Middlemarch*) and the power to create television that is not only culturally magnetic but also gets an entire family gathered around it. A measure of paternalistic intervention is absolutely what we need.

To pray for the blessing of the good Lord Reith on our Sundays might be in vain - but I, for one, shall do so devoutly.

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FINANCIAL TIMES

FT GUIDE

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TRAVEL

Paddleboat pampering on Big Muddy

Christina Lamb cruised part of the Mississippi on the Delta Queen, an historic steamboat fitted out like a floating palace

It takes just one blow of a steamboat whistle on the quay at New Orleans to find yourself transported into the storybook past of the Mississippi paddleboats. Like multi-tiered wedding cakes, they churned the muddy waters with their giant wheels, transporting men in Sunday suits and women in be-ribboned bonnets towards their dreams.

The Delta Queen is about to set off. The great red wheel starts churning and a top-latted man on deck taps out a ready version of "Toot toot tootsie, goodbye" on the callopie (or steam organ), sending puffs of smoke out of its shining brass pipes.

In *Life on the Mississippi*, Mark Twain wrote that it was every boy's ambition to be a steamboat man. Generations of children brought up on his books have fantasised about running away from home and following in Huckleberry Finn's footsteps along the great, brown river.

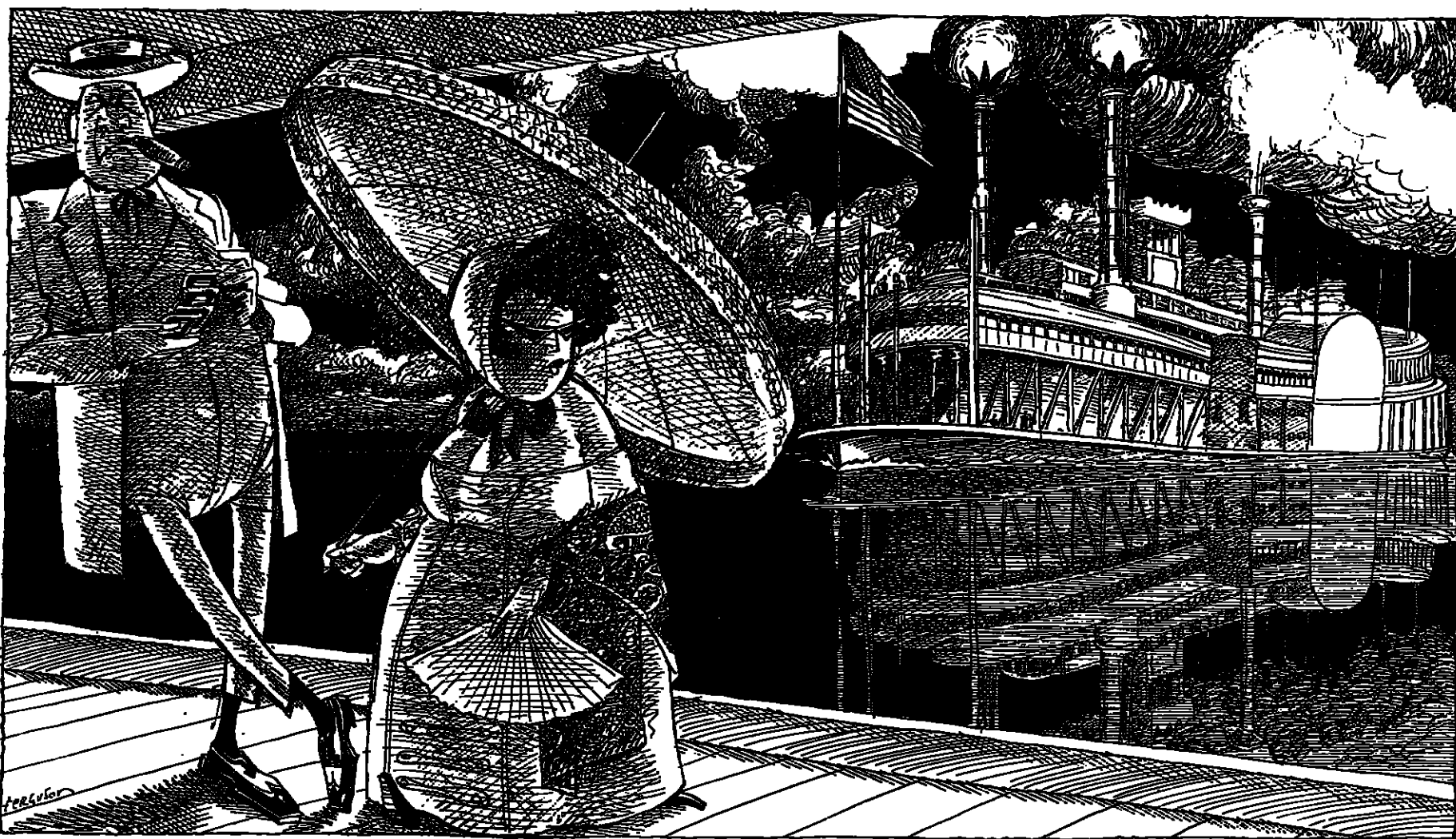
For a not entirely modest sum, the Delta Queen Steamboat Company offers the chance to slip away from modern-day stresses and live out that fantasy on one of its two paddle-wheel steamboats. Some people prefer the Mississippi Queen with such modern amenities as cinema and pool. But, for romantics, there is no choice but its elderly relative, the Delta Queen.

Now in its 88th year of operations, the Delta Queen is the oldest steamboat in the world offering cruises, and has been declared a US national historic landmark. It is like a floating palace with teak-panelled state-rooms, brass fittings and Tiffany-style stained glass. As a result, it is easy to imagine the days when silk-clad ladies sat doing embroidery while the men played poker in the forward bar.

The Delta Queen runs tours of between three and 12 days through America's heartland. Wanting to do things properly, I opted for one called "The Old South", which promised to "recapture the ambience and history of this gracious way of life".

The scenery on the 682-mile round trip from New Orleans to Vicksburg, on the lower Mississippi, is disappointing. Known as the chemical corridor, the banks are lined with refineries and petro-chemical plants spewing out yellow smoke and thick oily globules. But you do not take a trip like this for the sights.

Nor for the excitement. Progress



is so stately that the boat is often overtaken by cyclists. Fellow passengers tend to be over 65 and like wearing name tags. For those who do not relish playing bingo or dressing up for floodie parades, day-time activities consist of reading the daily *Steamboatin' Times* and flying kites (which usually end up tangled in the wheel).

Nights in the bar are spent listening to the quavery crooning of the ever-smiling Charlotte Champagne or dancing in the Orleans room, where tireless Bob Schad is a whizz on the banjo. But even the most energetic soon settle into the slow rhythm on-board, punctuated by occasional sightseeing stops and frequent large meals of local delicacies such as alligator and catfish.

The main pastime is river-watching from one of the rocking chairs on deck. T.S. Eliot called the Mississippi "a great brown god", and it captivates quickly. On waking in the mornings, we could see it at its most mysterious, swathed in a low mist from which the tops of submerged trees poked through.

At night, under the silvery glow of a full harvest moon, it was almost beautiful. But it was at its most soulful during the day, the Delta Queen nosing through thick, chocolate-brown water which even the US Army Corps of Engineers cannot control as, flush with spring rains, it changes course and bursts banks to show that it is not to be messed with.

Known as Big Muddy, the Missis-

sippi is the longest river in the US, draining all or part of 31 states on its winding, 2,500-mile journey from the hills of Minnesota to the Gulf of Mexico. It is also America's hardest-working waterway, carrying 500m tons of cargo each year in enormous, snaking lines of connected barges. These, as long as five football fields, tend to take up the whole river as they round bends.

There is so much traffic that the Delta Queen's jovial Captain John Davitt compares the river to "driving on an interstate highway". But while motorway drivers may go faster than 70mph, they do not have sandbanks and floating logs to contend with. Avoiding these obstacles, and the barges, requires great skill from the river pilots who drive the

steamboats. And becoming a pilot is not easy: the licence is granted in 20-mile segments and those applying have to draw, from memory, every turn of the river, sandbar, bridge and buoy in that stretch.

The Delta Queen's stops are orchestrated to shield passengers from contact with the 1990s, although it is hard to avoid the tin-roofed shacks and proliferation of riverboat casinos (to which many of the crew slip off).

On our first morning we moored at Oak Alley, a Greek revival-style, antebellum plantation house painted candy pink and reached through a grass alley of 300-year-old oaks so gnarled that the branches touch the floor and meet overhead to make an archway. Inside the

drawing room, a painted wooden screen stands in front of the fire: it is used to prevent beeswax make-up, layered on to cover smallpox scars, melting into the ladies' laps.

Our next stops were St Francisville, a pretty town under a veil of Spanish moss, and Natchez, home to more than half the country's millionaires in the 1850s. Louisiana was the centre of the plantation economy and the lower Mississippi area is dotted with large, colonnaded houses, built mostly between the late 18th century and the civil war to show off the wealth generated by cotton, indigo, rice and sugar.

Every year, during March, many of these private mansions are opened to the public to show off

opulent (and often tasteless) interiors, plus gardens resplendent with magnolia and dog rose blossoms. Their lavish settings, and names like *Rosedown* or *Nottoway*, inspire romantic images of crinolined belles and dashing beaux with waxed moustaches.

Finally, we came to Vicksburg, which is positioned on a steep bluff overlooking the river. During the civil war it was a Confederate stronghold defending the whole of the lower Mississippi. In May 1863, General Grant's army marched on the town; when the Confederates refused to surrender, he ordered his army to starve them out. The bloody siege lasted 47 days. Now, in the immaculately-kept Battleground Park, the old cannons still point at each other while red and blue markers show where the Yankee and rebel troops fought.

Each stop we made was marked by a huge puff of steam and a frenzy of callopie-playing. Locals or camera-toting tourists gathered on shore to wave us off, recalling the "Steamboat a' comin'" days of last century when paddle-wheelers like this used to rule the river.

The Delta Queen was built in a Glasgow shipyard in the 1920s for the Californian Transportation Co. Its owners poured \$875,000 into creating a four-tiered, balustraded beauty. Used initially as an overnight dinner cruiser between Sacramento and San Francisco, the depression forced its withdrawal from service until Pearl Harbour. Then, it was requisitioned by the navy, painted grey and used as a troop transporter.

Since then, the Delta Queen has passed through various owners and overhauls. It even survived congressional legislation passed to prevent the operation of wooden boats after a tragic fire on a cruise-liner.

The most spectacular part of the boat is the engine room. Passengers are welcome to see the pistons driving a 40ft-long Pitman arm connected to a crankshaft which turns the 44-ton paddle wheel.

Every so often on steamboats, pressure from the boilers gets so high that it has to be relieved through a safety valve - the origin of the expression "letting off steam". After a week being pampered on the Delta Queen, I can think of no better place to do that.

Christina Lamb travelled with the Delta Queen Steamboat Co of 30 Robin Street Wharf, New Orleans. Information: tel (800) 543 1949.

Mexico's version of Hallowe'en

Bernard Simon joins a colourful and intense celebration of death in the south-western state of Oaxaca

It is 2am, and Atzompac cemetery is coming to life. A brass band has struck up just inside the arched entrance. Family groups, their faces illuminated by hundreds of candles, are crouched around the graves, arranging the marigolds, loaves of bread, skull-shaped sweets and ornaments which festoon each mound of earth. More families, laden with decorations, are streaming in along a dusty, moonlit path from the nearby village.

The night of October 31 marks the official start of the *Dias de los Muertos* (Days of the Dead) festival, when Mexicans celebrate death in a fusion - and profusion - of Christian rites and pre-Columbian traditions.

The festival, which reaches its climax on November 2, All Souls' Day, is observed in many parts of Mexico. But it is at its most colourful and intense in villages like Atzompac, in the south-western state of Oaxaca, where the pre-Columbian Zapotec culture flourishes.

There is nothing morbid or macabre about the Days of the Dead, but Mexico's version of Hallowe'en has more serious overtones than North American trick-or-treating. It is a serene, even a joyous, occasion when the living are reunited with the spirits of their dead relatives, while contemplating the transience of their own existence.

No effort is spared to welcome the returning spirits. *Senor Velazquez*, affable proprietor of the charming Las Golondrinas (The Swallows) Hotel in Oaxaca city, sets aside an entire room for the elaborate altar which is the centre-piece of every family's celebration.

The Oaxaca municipal authorities sponsor a competition for the best altar. Las Golondrinas has yet to win, but the certificates hanging in the guest lounge attest to its efforts.

The celebration is not confined to homes and cemeteries. Oaxaca's street markets are stocked with altar and grave decorations in the days leading up to the *Dias de los*

Muertos. Most conspicuous are the round loaves of slightly sweet bread, known as *pan de los muertos*. The loaves come in many sizes, but each one is decorated with an angel face or skull painted on a small flour-paste disc.

Activities around the tree-lined main square include a fireworks display, live music and parades. Unfortunately, a North American twist has started to creep in. Urchins shouting "Hallowe'en, Hallowe'en" try to prise a few pesos from patrons at the outdoor cafes lining the square.

Our excursion to the cemeteries started just before 11pm on October 31. It was a chilly night, but Alberto, our guide, had brought along a few bottles of *mexcal* - fire-water made from cactus juice. We were also each given a taper candle, decorated with strips of coloured foil.

Atzompac was our first stop, but the work of decorating graves had barely begun at 11.30. We resolved to return later. Things were busier



A night of vigil: no effort is spared to welcome the returning spirits

Robert Harding Picture Library

at two cemeteries in Xoxocotlan, another barrio on the outskirts of Oaxaca. A vendor of "hot dogs *esquisitos*" was doing a brisk business at the entrance to one. At the other, some youngsters, presumably bored with decorating graves,

had gathered around a ghetto-blaster.

Activity was both quieter and more intense around the graves. Women did most of the work. At the head of the grave was a mass of brilliant red gladioli, mixed with

life-sized white skeletons adorned with an over-sized green and yellow head-dress, also fashioned from sand. Dozens of votive candles circled the family's work of art. The head of the grave was a mass of brilliant red gladioli, mixed with

orange marigolds.

Most families stay up all night. They need to complete their grave and altar decorations by 4am when, according to Zapotec legend, the spirits of dead children return to earth. The spirits depart again for the netherworld about four hours later, when the tiny candles which commemorate them are snuffed out.

The adult spirits supposedly arrive during the afternoon of November 1, when the coloured strips on the candles are replaced with black ones, and depart early on the morning of All Souls' Day. But we returned to our hotel in Oaxaca even before the younger spirits had made an appearance. Our minds and bodies had succumbed to the *mexcal*.

Oaxaca is 400km, or a 50-minute flight, south of Mexico City. There is also a luxury bus service, which takes about eight hours. The most comfortable hotel in Oaxaca is the stone-walled *Stouffer Presidente*, converted in the 1970s from the 16th century convent of Santa Catalina. More moderately-priced hotels include Las Golondrinas, which has 18 rooms facing lushly-planted courtyards; and the Hotel Trebol, which is close to the square and the *Benito Juarez* market.

Other attractions around Oaxaca include the ruins of the ancient Zapotec mountain-top capital of Monte Alban; the Mixtec and Zapotec settlement at Mitla; the weavers' village of Teotitlan del Valle; and teeming markets selling everything from green-glazed pottery to fried grasshoppers.

Mandalay, Rudyard Kipling's fabled city, has retained its drawing power. Its lyrical name, its status as Burma's last royal capital and its isolation from the rest of the world give it a tenuous hold over the traveller's imagination.

But as the visitor jolts down the pot-holed road to the sprawling, dusty city, the enigmatic image gives way to something more sinister.

"Matadaw [the Burmese army] and the people crush the enemies of the union," screams the slogan on the fort that was once the site of Mandalay's royal palace and now serves as the army's headquarters. It is an absurd but depressing reminder of the mentality of Burma's ruling junta, the State Law and Order Restoration Council, or SLORC.

Having earned world opprobrium for a catalogue of human rights abuses and for repression of the democratic movement in the late 1980s, SLORC is sensitive about its image. Tour guides sign declarations that they will not talk about the government - a stricture enforced by government informers. Severe restrictions are imposed on tourists' freedom of movement.

Where only the Buddhas grow fat

For all that, only the most blinkered tourist would fail to notice evidence of the people's suffering. For example, any visitor would be struck by the peculiarity of the Burmese currency, which is chiefly denominated in 45 and 90-kyat notes. The 50 and 100-kyat notes were abolished, without any warning, by the government a few years ago. This attempt to damage the black economy cost many people their life savings.

The signs of government repression are noticeable even in sparsely-populated parts of Burma such as Pagan, an eerily beautiful, pagoda-studded city which has been largely deserted since it was sacked by the army of Kublai Khan in 1287. Its crumbling remains of over 2,000 temples and pagodas, which were erected by Pagan's rulers 900 years ago, form one of the most remarkable historical sites in Asia.

Until four years ago, the village of Pagan was situated by the main temples on the plain. But at the time of the elections in 1990, the villagers were ordered - without warning - to leave their village and

move five miles down the road. "We lost everything," said one villager, gesticulating at the flimsy wooden shack he now calls home.

This was not an isolated incident. In recent years, the government has evicted hundreds of thousands of people from their homes and moved them into shanty towns. The government's motive in these appar-

Visitors to Burma must live with the knowledge that tourism provides currency to sustain its regime, says Vanessa Houlder

ently pointless clearances is generally regarded to be revenge on areas which opposed it.

Travelling around the country, tourists become acutely aware of the Burmese people's appetite for even the most basic consumer goods. They are besieged with offers to trade old lipsticks, cigarette lighters and even the shreds of their backs for opium weights and hand-crafted lacquer-ware.

Further evidence of the hardship of the life of the Burmese people is

wealth of rice, rubies, teak and oil.

Burma's lack of development creates a sense of being in a time warp. Transport in Burma is largely confined to ox-carts, pony traps, bicycles and jeeps left over from the second world war. Older British makes of motor vehicles, such as Hillman and Triumph, are spoken of with the enthusiasm usually reserved for the latest model. "British cars are the best-made cars in the world," said a tour guide solemnly.

yellow make-up made from ground bark.

Also striking is the exuberance of the people's religion. Burma is one of the world's most devoutly Buddhist countries, where nearly all men become monks for some part of their lives and most people donate a large proportion of their income to the temples.

People's generosity is such that Buddhas grow fat with ever-increasing layers of gold leaf, while the temples' exteriors are kept glisten-

ing with gold and jewels. Burma's most important temple, the Shwedagon Pagoda in Rangoon, is plated with 8,668 solid gold slabs, with a tip set with 5,448 diamonds, 2,317 rubies, sapphires and topaz and topped with a huge emerald.

However seriously religion is taken, it remains a noisy, fun affair. The atmosphere of the temples sometimes resembles that of fairgrounds, with disco-like neon lights dotted around the Buddha images, loudspeakers noisily demanding donations and a variety of astrologers, fortune-tellers and games of the sort that promise good luck if the player succeeds in throwing coins into bowls.

Perhaps the most bizarre aspect of Burmese religion is the emphasis on spirit-worship. Burma has 37 of these spirits, which boast names like the Lady Bandy Legs, or the Lord of Five Elephants. Temple grounds often have an array of statues of these spirits, which are worshipped with an enthusiasm that stems from a belief that they will do mischief to those who do not pay them sufficient respect.

The country's backwardness makes travelling around the country something of an ordeal. Rat-infested, mildewed hotel rooms and erratic, accident-prone airplanes are part of most tours.

In some respects, travel in Burma is now easier than it has been for some years. The country is relaxing some of the restrictions it imposed after the pro-democracy demonstrations of 1988. After several years of restricting visits to a maximum of seven days, visas are now valid for 14 days.

But visitors still have to contend with the exorbitant cost of visiting Burma. The official exchange rate is arbitrarily set at a level so high that buying a beer costs more than \$10. Many tourists prefer to take the risk of exchanging dollars or selling whisky on the black market, which makes their money go 15 times as far. But the value of such ruses is limited: it is hard to avoid paying hard currency for large items, such as travel and hotels.

Visitors must live with the knowledge that tourism provides much of the hard currency that sustains the regime. But those whose curiosity overcomes their scruples are likely to be enthralled by a country which, as Kipling said, is "quite unlike any land you know about".

ARTS

Red Adair of ancient monuments

It is ten years now since the Historic Buildings and Monuments Commission was put to sleep and the more consumer friendly English Heritage was created. Yesterday the nation's biggest guns gathered in London to fire salvos in praise of the heritage.

The Prime Minister supplied his vision of the future, viewed brightly through National Lottery glasses; Sir Andrew Lloyd Webber was there to do what he does best, give away money, £1m of it to help finance the Open Churches Trust, which aims to keep churches unlocked for visitors; and sounding off at full blast, Jocelyn Stevens, chairman of English Heritage, described how he took on the assembled ranks of special pleaders, country landowners, dreamy academics, entrenched interests, and worst of all, archaeologists, and put them to the sword.

Stevens' speech, with some justification, concentrated on the heritage successes of the past few years. It is hardly a coincidence that he was appointed chairman in 1992, a self-styled Terminator Three, determined to shake up a cosy quango. He is now halfway through his allotted five year span ("I'm too old to do another term" - he is 62), and it is two years almost to the day that he announced his personal programme, a programme that caused convulsions inside English Heritage and beyond. This week in his workmanlike office in Portico House, the defiantly bleak HQ of English Heritage, Stevens marked his performance - and gave himself top

marks. "A hundred per cent of the strategy has been achieved".

For a man who saw off the printers in his newspaper days, and the even tougher cabal of art lecturers during his Rectorship at the Royal College of Art, English Heritage has turned out to be something of a pushover for Stevens.

He has trimmed down the staff from 1800 to 1200 and another 300 will go shortly when English Heritage's workforce of skilled craftsmen, stone masons, gilders, and the like, is privatised, perhaps through a management buy out.

Royal College that it pushed up the cost by £2m. "I loathe bureaucracy", he explains. He talks with horror of friends who needed English Heritage permission to change the door knobs inside their houses. Presumably he believes that the local councils, many of whom lack specialist staff, will be less pedantic.

Stevens has dealt with the bureaucracy in English Heritage by being a one man band, a Red Adair for the heritage, swooping on crises and quickly resolving them. He takes credit for getting something done at last about the Albert Memo-

rial. He came up with the short-term cash needed to fix the Crescent in Buxton, currently the most important building in England threatened with demolition but now moving safely into local authority control. "People say I must be like King Canute. But in my case the water is coming up over my head".

His current pre-occupation is the great Ministry of Defence sell off. It owns over 700 listed buildings, including such historic and costly structures as the Royal Naval College at Greenwich and the army buildings at Woolwich. They could suddenly become somebody else's liability, and English Heritage can hardly dodge its responsibility. It has been here before. By force majeure it has already started to care,

at a cost of £90m over ten years, for the nation's cathedrals and churches which are too much for a cash-strapped Church of England.

So there is a paradox. With one breath Stevens talks of ridding English Heritage of all its sites; with the other he enthusiastically takes on new burdens. He also welcomes direct approaches. The transfer to the London boroughs of mundane conservation matters in theory makes English Heritage more strategic; in practice it is Jocelyn Stevens who dictates policy. When Lord Palumbo finally



Jocelyn Stevens, now halfway through his term as chairman of English Heritage

He came to bury English Heritage, but perversely Jocelyn Stevens is giving it a fuller life. Antony Thorncroft reports

He has rid English Heritage of responsibility for 45 of its 400 properties, most successfully by transferring its Avebury sites to the National Trust, and he hopes to get rid of another 44 by the end of the year. And he has cut down to size the London Region by handing on its powers over Grade II listed buildings to the boroughs. He was able to boast this week that while only seven London boroughs had so far agreed, with three more ready to sign up, they accounted for half the listed buildings in the capital.

London has been something of an obsession with Stevens. You might conjecture that he took on the job to wreak revenge on the London Region experts who so delayed his plans to add an extension to the

started this summer to construct his new James Stirling building on No 1, Poultry, no thought had been given to the archaeological potential of a site at the heart of Roman London. Crisis: Stevens summoned Lord Palumbo and after a chat extracted a promise that archaeologists could have 44 weeks on the plot and, on top, Lord Palumbo would pay £2m towards the cost.

This is the role that Jocelyn Stevens loves. He describes English Heritage as "a shipyard that takes in wrecks, repairs them, and then hands them to someone else to sail". This workmanlike approach even extends to his flagship site, Stonehenge, which he accepts is "a national disgrace". He has rowed furiously with the Ministry of

Transport and the local authorities, to say nothing of the Druids and the Army, about his plan to create a 3,000 acre national park on Salisbury Plain over which the public can roam and admire 450 scheduled monuments.

The typical Stevens solution is for the project to be financed from the receipts of a visitors centre on the far edge of the area. If he can knock enough heads together, and he seems to be making progress, Jocelyn Stevens is quite happy to transfer the most important heritage site in the nation to a local Trust which will administer the Park, with cash coming from a commercial enterprise running the centre, which could be visited by 750,000 people a year. Stevens sees it as a natural millennium project, ready by 2000.

But while Stevens is frantically patching up his ships and shoving them down the slipway others need attention. He has just handed over £1m to a trust that will cherish Pell Wall Hall, a derelict house in Shropshire designed by Sir John Soane. He recently discovered a forgotten money to shore up its planned Museum of Modern Art at Bankside. Despite his ambitions he will never be able to whittle down his quango to a few strategic sites and probably would hate the consequences if he did.

For Stevens pays lip service to devolution and deregulation but loves to interfere. "Although we have one foot in the past we also have one foot in the future". He has made up for the disappointment that the National Heritage Fund

was given the task of distributing lottery cash to the heritage by taking a keen interest in potential lottery projects. He is giving Richard Rogers redevelopment of the South Bank arts centre a supportive push; he has handed the Tate Gallery Museum of Modern Art at Bankside Power station; he is airing an idea for spending lottery money on smartening up the capital's parks.

Jocelyn Stevens has a romantic view of his mission. "There used to be the US cavalry, now there is English Heritage". Undoubtedly his energy has achieved much. But as in every cavalry charge there are casualties, and not just the local gentry who find it harder to get a grant to repair their roofs, or Lon-

don's archaeologists, ruthlessly reorganised. There are the experts who could not stand Stevens' abrasive style and took their knowledge elsewhere. There are the problems that will not go away, like the ancient monuments, from Rivaux Abbey to obscure Bronze Age barrows, that will never find a new owner to cherish them and must remain part of English Heritage's tie.

Stevens has proved that the heritage will never become the past. In marked contrast to his declared aims, through his ambition and drive, he is constantly adding to the workload of his diminished band. He came to bury English Heritage; perversely he is giving it a fuller life.

Photos for a cause

This portrait of Marlene Dietrich by Cornel Lucas is on show at the Saatchi Gallery in north London until September 30, but will be sold at Sotheby's on October 5 with an estimate of £300-£500.

It is part of *Positive View*, a major exhibition of over 200 photographs, many of which were donated by their creators and most of which will be sold at the auction to benefit two charities favoured by the Princess of Wales, DEBRA and Chicken Shed Theatre.

Among the photographers represented are Bill Brandt, Irving Penn and Annie Leibovitz, and among the striking images are the last taken of Marilyn Monroe, by Bert Stern; Naomi Campbell captured in 1990 by Herb Ritts; and Gilbert & George has seen in 1974 by Cecil Beaton.

Another opportunity to acquire a work of art and help a good cause at the same time is available at Christie's until September 21. The Royal Academy Schools want to establish a scholarship to commemorate a distinguished RA, the late Peter Greenham.

Many artists, mainly RAs, have donated works to help raise £150,000. You can buy paintings by Patrick Caulfield, Caryl Weight, John Hoyland, Peter Blake, Terry Frost and more at very reasonable prices. But hurry: they are going fast.

A.T.



Much ado about opera in Cardiff

From some of the media reports this week one would think that every opera company in Britain is looking for a new building. What has happened is rather that the opera companies have shown themselves to be the best prepared at putting their case for money from the national lottery.

The position at the beginning of the week was that two - the Royal Opera House and English National Opera - had drawn up plans for improving the sites they already have. To these we can now add the major development outlined by Welsh National Opera on Thursday. Alone of the opera companies, it is proposing a wholly new building. An international competition was set in motion late in 1993 to find a suitable design and this week the Cardiff Bay Opera House Trust announced its choice.

From eight finalists the assessors selected Zaha Hadid, born in Iraq, but based in London. Her glass necklace building enclosing a central auditorium looks an ambitious and striking choice. The cost is estimated at £40m, which compares well with the Royal Opera's far larger sum. Whether those dispensing the largesse from the National Lottery will see fit to hand out money to each of these rival operatic schemes must be a delicately balanced political question.

In a way it will be a shame to say goodbye to the New Theatre, Cardiff, which is currently WNO's home. The theatre may be cramped, but it has intimacy on its side. Perhaps

the company is aware of what it will be losing and has decided to schedule some favourite small-scale operas in the interim: Berlioz's *Beatrice and Benedict*, which opened in a new production on Thursday, might almost have been written for the theatre.

Given the popular success of Kenneth Branagh's film version of *Much Ado About Nothing*, it is surprising that Berlioz's adaptation of Shakespeare has not been the talk of the opera companies' newly-powerful marketing

Richard Fairman reviews 'Beatrice and Benedict'

departments. What we get at WNO comes close to being the opera of the film. Elijah Moshinsky's thoroughly enjoyable new production manages to conjure just as poetic a vision of Italy on stage as the film's camera crew did actually on location.

A warm evening light plays on the golden stone colonnades of a Sicilian villa. In the distance are blue skies over the rooftops of a small village; nearer to hand family and guests are preparing the evening meal, tonight's menu being generous helpings of pasta. The scene is wonderfully airy and convivial, like the opera itself. Moshinsky has devised a beautiful, naturalistic production with help from his designers, Michael Yeargan (sets), Dona Granata (costumes) and Howard Harrison (lighting).

It is a mark of his care that the performers move so easily from Shakespeare to Berlioz and back again without dropping a stitch as they knit together their characterisations. Sara Fulgoni makes a spirited Beatrice with curly red hair and reading glasses, clearly a girl with a will of her own. It helps that she has an individual voice, a shade bigger, more biting and more boldly coloured than usual. Nor does Donald Kaasch's laid-back, shabby soldier of a Benedict have any less personal magnetism.

Rebecca Evans as Hero and Patricia Bardon as Ursula join Fulgoni for Berlioz's delectable duels and trios, carefully disguising the very different qualities of their voices. It is not their fault that Donald Maxwell's comic Somarone with a disparaging dislike for tenors and viola-players came close to stealing the show, though Moshinsky might tone him down a notch or two. Indeed, the same might be said of the orchestra under John Nelson, an experienced Berlioz interpreter who sometimes overestimated the volume necessary in this small theatre.

Berlioz described the opera as "a caprice written with the point of a needle", which really is possible here. With seats for 800 more people the new opera-house will demand a bigger repertoire to match, but then that is the project's very aim. Welsh National Opera is not a company that has ever been short of ambitions.

Beatrice and Benedict sponsored by Swalec

A prima donna gets her show on the road

As the Romanian opera plans its trip to Britain, Martin Hoyle visits the company in Bucharest

Men bow to her, female employees back nervously away, voices drop to an awestruck whisper as Madama sweeps majestically into the room. For just over a year now the director of the Romanian National Opera in Bucharest has been Euzeni Moldoveanu. Much as Barbara Jefford epitomised the diva in Fellini's *And the Ship Sails On*, so this beautiful and imperious ex-soprano (she sang at Covent Garden under Colin Davis) has "prima donna"

emblazoned on her as if by Central Casting.

She has a hard task. It is not pre-empting my musical colleagues to note that, as in many ex-eastern bloc countries, the current operatic production style is less Cecil B. De Mille than D.W. Griffiths, despite such nods to chic as a

faintly ridiculous ballet (*Nabucco*) and hints of lesbianism (*Samson et Dalila*, where Delilah's enjoyment of her handmaidens' caresses explains much of her attitude towards Samson).

Nabucco and *Samson* will be touring Britain from this month with *Madama Butterfly*.

The Verdi was seen for a single performance in an outdoor performance at Rochester Castle last year, when robust attack garnered an unexpected crop of favourable reviews. The English promoter has been disconcerted by new touches in the design and choreography. Long and bitter arguments

have ensued on the artistic front with the state-subsidised agency Artexim.

This organisation illustrates the difficulties of a new mixed economy. Rumour has it that some of the old regime's place-men have made a comeback, even in the corridors of the ministry of culture. Pressures of another sort are exerted by the private sponsors now vital to state enterprise; for Romania too has its multi-millionaires, white-suited, open-necked, jewelled crucifixes on bare chests, boasting Italian connections and not to be questioned too closely on the source of their new wealth.

Because private sponsorship is a recent phenomenon, patrons are not quite sure of their function. The news that the tour of a 200-strong troupe, from Bristol to Edinburgh, entails a certain risk and might not accrue a jackpot profit, has taken some time to sink in. Allied to continual pressure from officialdom, the resultant hiccups in negotiation have resulted in brinkmanship up to the moment the trucks began to load the scenery for their ten-day journey across Europe.

But at last the company is trundling towards an unsuspecting Bristol where the tour opens. Financially things are patched up, politically there

are a few bruises. Musically the company shows the symptoms of the new freedom. The outstanding *Butterfly*, between engagements in Vienna and Paris, has stipulated no more than a handful of appearances. The company fields three *Cio-Cio-Sans*. I heard the third in Bucharest, movingly acted, intensely projected, even turning strained higher and lower registers to advantage with dramatic use of words, she enjoyed the most integrated production of the three works on offer. In *Butterfly* the dead hand of tradition has been bro-

ken and a sacrosanct 40-year-old production has been conceded "refreshment" by a young director and designer, possibly because the octogenarian director is in no position to object - unlike the begetter of the *Nabucco* and *Samson* stagings, officially replaced but still a potent power in the wings.

The young Stefan Neagru, only recently elevated to artistic directorship, has a background in film and ambitious ideas that align him with such internationally known Romanian directors as Serban and

Pintile. His previous productions, including an *Elisir d'Amore* with Dulcamara dispensing prohibition-era whisky and Nemorino signing on not for the army but the secret police, marks him as a member of the "producer's opera" era.

Of course, there are some who prefer the old style, in art as in politics. The Romanian National Opera is at the crossroads. It must fight free of both Loadsmoney philistinism and bureaucratic politicking. But then the same might be said of Romania.

The Romanian National Opera opens in Bristol on Sept 20, visiting Oxford, Sunderland, Edinburgh and Canterbury. A concert performance of *Nabucco* will be given at the Albert Hall on Oct 17.

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BOOKS

The Sixties deconstructed

Peter Aspdon on sex, drugs, rock and roll and the decline of western civilisation

It is the summer of 1966 and London, as pronounced by no less than Time magazine, is the city of the decade. Frank Sinatra is fighting a brave rearguard action in the singles charts with "Strangers in the Night", but his nocturnal ramblings belong to a different age. The talk everywhere is of tight, sun, hope and glory. The lazy shuffle of the Kinks' "Sunny Afternoon" knocks the mocking exuberance of the Beatles' "Paperback Writer" off the top of the hit parade in the very week that Bobby Moore receives the gleaming Jules Rimet Trophy from the Queen. The vibe spreads; in the US, 8,000 Vietnam protesters encircle the Pentagon in an attempt to levitate it. Nothing seems impossible.

The Beatles take their demotion with good grace; they are preparing for the release of *Revolver*, an album so packed with ideas and innovation that they can afford to be magnanimous. Ian MacDonald, in his loving and superbly-argued analysis of the group's recorded legacy, is unoriginal in seeing this splendid moment as a cultural peak from which we have gradually been descending into mass-produced banality; his success is to show

in the finest detail just what went into the seemingly effortless succession of masterpieces, and how the whole thing - the Beatles and the Sixties - came apart. The book's meticulous track-by-track examination is a fund of fresh insights into very familiar territory. To take just one example, MacDonald reveals that "Michelle", commonly considered an irritatingly cloying piece of McCartneyesque whimsy, was in fact co-written by John Lennon, who stole a line from Nina Simone's "I Put a Spell on You" for its middle section.

Playfully ironic throughout ("I want you, I want you, I want you; I think you know by now"), the refined finishing touch was applied by McCartney's painstaking bass line, which he described as "a kind of Bizet thing" (referring to the opera *Carmen*). This was no throwaway nursery rhyme,

yet what was envisaged as an album filler was good enough to take The Overlanders to number one for three weeks. The relationship between Lennon and McCartney unsurprisingly forms the human core of MacDonald's musings. Again, the story is hardly unfamiliar: the two friends who initially channel their competitiveness into their work, only to get bogged down in jealousy, rancour and law suits. But MacDonald reverses some of the more obvious stereotypes, emphasising Lennon's capacity for sentimental balladeering ("This Boy", "If I Fell", "Yes It Is") and McCartney's penchant for biting sarcasm (asked for a sleeve-note for Lennon and Yoko Ono's *Two Virgins*, he responded with: "When two great saints meet, it is a humbling experience").

By the time of *Abbey Road*, both the Beatles and the decade were falling into disrepute, MacDonald takes the bold step of identifying one song, Lennon's "Come

REVOLUTION IN THE HEAD: THE BEATLES' RECORDS AND THE SIXTIES
by Ian MacDonald
Fourth Estate £15.99, 333 pages

FAITHFUL
by Marianne Faithfull
with David Dalton
Michael Joseph £15.99, 333 pages

X-RAY: THE UNAUTHORISED AUTOBIOGRAPHY
by Ray Davies
Viking £17.50, 419 pages

Together, as a turning point, "embodying a pivotal moment when the free world's coming generation rejected established wisdom, knowledge, ethics and behaviour for a drug-inspired relativism which has since undermined the intellectual foundations of western culture."

Not that Marianne Faithfull would have noticed. Indeed, bearing in mind her aristocratic Austro-Hungarian heritage, it could be argued that decadence, gloom and desolation coursed through her veins long before the various substances which she injected in celebration of and escape from sixties counter-culture. Just check out the references in her first chapter ("Childhood"): Sartre, Kafka, Virgil, Coltrane, Beethoven, Jung, Nietzsche; Faithfull had little to learn from a bunch of blues-loving upstarts like the Rolling Stones, but she managed to prostrate herself before their relentless ambition just the same.

Faithfull is a humorous, self-effacing and early dispassionate account of a life lived in near-constant psycho-pharmaceutical turmoil, punctuated with sharp observations (describing "As Tears Go By" as "slightly existential, but with a dash of San Remo song festival") and sprinkled with a

bewildering variety of sex, drugs and rock and roll stories. It is a winning autobiography - it is difficult to dislike a woman who, on hearing of Mick Jagger's wedding to Bianca, instantly fills herself with Valium, downs three vodka Martinis, lurches into an Indian restaurant, falls into a curry, spends the night in Paddington police station, signs autographs for the officers and, on leaving, quotes De Quincey to the grey London skies.

Early in her musical career, Faithfull shared a tour with the Kinks, whom she found to be "very gothic, creepy and silent". Indeed, Ray Davies' "unauthorised autobiography" (in which a fictitious "journalist" gets Davies to open up to him) is much more down-beat than Faithfull's frilly epic, but then again, Muswell Hill was no *fin-de-siècle* Vienna. The problem is that Davies, not having been semi-conscious for three-quarters of his life, experienced much more acutely the pains which fame inflicted on

him, particularly the break-up of his marriage and the inevitable legal wrangles with his management. It is unlikely that the Kinks will represent more than a footnote to the great sixties saga, but Davies could certainly write a mean pop song.

Which brings us back to MacDonald and his decline-of-civilisation thesis, expounded in a couple of essays which sandwich the main part of his book. This is a line of argument, of course, which more commonly comes from those who would date the "turning point" at Elvis's first televised pelvic thrust, at the birth of rock and roll. MacDonald uses the Beatles' material to convince us otherwise. Is there any piece of music in this century which can match the joy and optimism of "I Want to Hold Your Hand", or "Eight Days a Week", or "Penny Lane"? Today's pop music, sampled, flattened and homogenised or today's rock music, pompous and ponderous, provide plentiful evidence for MacDonald's conclusion, that something in the soil of Western culture began to die during the late Sixties.

Fiction More than simple stories

Categorising Cormac McCarthy as a writer of westerns is like calling Herman Melville a writer of fishing stories. A dark poetic evocation of the American West, *The Crossing* is the second volume of McCarthy's *The Border Trilogy*. Set in New Mexico and northern Mexico, it moves on from his previous book, *All the Pretty Horses*, to the years leading up to, and including, the second world war. Juxtaposing an older world of outlaws, vaqueros and Indians with one dominated by cars and airplanes, *The Crossing* investigates the loss of innocence and the relationship between history and narrative.

For teenager Billy Parham, crossing the border into Mexico is to journey into unknown territory. Impulsive yet impassive, Billy begins his initial sojourn in the middle of the night, pursuing a wolf that has attacked local cattle. Intending to accompany the animal to the Mexican mountains, it is a year and a lifetime before Billy returns to New Mexico. He arrives to find his family have been murdered and their horses stolen. Only Boyd, his younger brother, survives.

Here everyone - Indians, revolutionaries, bandits and gypsies - has a story. Some are true, but most are fiction. As Billy is told, "things separate from their story have no meaning."

THE CROSSING
by Cormac McCarthy
Penguin £14.99, 426 pages

RUSHING TO PARADISE
J.G. Ballard
Flamingo £14.99, 239 pages

EVERYTHING AND MORE
Geoff Nicholson
Gollancz £15.99, 251 pages

It would be equally misleading to describe J.G. Ballard as simply a science fiction writer. More concerned with the imagination than science, Ballard's writing can be mesmerising and poetic. He is sometimes almost perversely radical but he can also be oddly primitive. A return to form, though a long way from Ballard's best work, such as *High Rise* and *Crash*, *Rushing to Paradise* focuses on campaigner Dr Barbara Rafferty and her attempt to save an alienated population threatened by the construction of an airstrip on small French Pacific island.

Eventually Rafferty, appalled by the commercialism of the venture, severs links with the outside world, and declares the island a sanctuary for women. "The biggest problem the world faces is not that there are too few whales or pandas, but too many men..." In this fiction, men are victims rather than oppressors. Packaged within a woyesterian narrative, Ballard's sexual paranoia makes *Rushing to Paradise* compulsive reading.

The work of British writer Geoff Nicholson could be categorised as speculative satire. Locating cultural fault-lines, *Everything and More* - the slogan of Haddon Brothers department store - examines the relationship between work, consumerism and terrorism and takes place in a gargantuan building with a surreal facade, secret rooms and hidden passages. With its non-uniformed staff intent on sabotage, loyal employee, Vita Carling holds her reclusive and randy employer, Arnold, hostage.

Meanwhile, protagonist Charlie Mayhew, reluctantly working as a furniture porter, searches for an art form and finds significance in objects and linguistic ties, such as the Latin *mensura*: "Did it mean 'man's war', as in hardware, or was it a portmanteau word telling the public that men in those areas were given to bad language?" When an author appears on the wrong day for a book signing, the staff ask questions worthy of post-modern deconstructionists.

Influenced by the literary extravaganzas of Huxley and George Orwell, *Everything and More* might, in comparison, be lightweight, but it is subversive enough to parody its voyeuristic tendencies. Combining speculation and accusation, Nicholson, no less than McCarthy and Ballard, delights in defying categories.

R.I. Moore

Woody Hunt

An odd mismatch made in heaven

Lady Ida Sitwell describes a Chianti luncheon to her son Osbert in 1928: "A Mr D.H. Lawrence came over the other day, a funny little *petit-maitre* of a man with flat features and a beard. He is a writer, and seems to know of you. His wife is a large German..."

Lawrence would be dead within four years, Frieda in 30. It was - though Lady Ida would never know - one of the most extraordinary and extravagant marriages in the history of literature. Brenda Maddox has written a most readable account, not so much of Lawrence as of his marriage - "a mismatch made in heaven", as she puts it.

She starts from her response to "a likeable Lawrence: a devastating mimic, an inspired teacher, a handy householder, a hard-working journalist, a loyal brother and generous uncle, a good, an eager traveller and brilliant travel writer, a dogged, dreadful painter, an ecological visionary and, above all - as he saw himself - a married man."

That said, she does not ignore the rest of the portrait: the appalling tensions within the marriage, the alarming anti-democratic political instincts, the sexual problems which were evaded with sodomy, the cruel selfishness which denied Frieda her children. "Lawrence's real vices were ambivalence, grandiloquence and intransigence," says Maddox, and later, in compensation, quotes Edward Garnett on the man's "lovableness, cheekiness, intensity and pride."

Unlike the host of earlier books about Lawrence, this one is extremely brisk about the childhood; even Jessie Chambers scarcely figures. After Lawrence's extraordinary killing of his beloved mother, the focus is on Frieda Weekley. Born a Von Richthofen, she was a member of a liberated and intellectual German family - Maddox is good on pre-war Munich where Frieda's most

influential lover, Otto Gross, was a disciple of Freud and a morphine addict.

Frieda, after 13 years in a boring Nottingham marriage, did not hesitate to appoint herself the 27-year-old writer's erotic muse, a role which, with the exception of the war years, would keep them out of Britain. "In their contempt for the stupidity of England, with its concern for appearances and its deep shame about the body, they were as one, and in their odd alliance they were refusing to collaborate in it any longer."

This is a literary biography which does not make the com-

mon mistake of under-estimating the literature (Maddox is interesting, for instance, on *St Maur*, and on the curious parallels between a Lawrence story *The Shadow in the Rose Garden* and Joyce's earlier *The Dead*), but a book about a marriage has to tackle the detail of that relationship. It was, we are assured, a sexually ill-matched affair. "Anal sex seems to have been the Lawrence's resolution to the conflict between them."

THE MARRIED MAN: A LIFE OF D.H. LAWRENCE
by Brenda Maddox
Sinclair-Stevenson £20, 631 pages

FRIEDA LAWRENCE
by Rosie Jackson
Penguin £14.99, 240 pages

Then there was the matter of Lawrence's possible homosexual leanings - "Lawrence was not like Forster, a suppressed homosexual who did not have the courage of his desires... He was a hypersensitive man unable to bring together the male and female components of his personality, and in the grip of a terror of losing the boundaries of self". There may have been one homosexual episode in 1917 with a former friend, just as there was one known adultery, with Rosalind Baynes; after that there would

be impotence - guess who was the model for Sir Clifford Chatterley? None of which damages Lawrence's importance to all of us. "My great religion is a belief in the blood, the flesh, as being wiser than the intellect. We can go wrong in our minds. But what our blood feels and believes and says, is always true," wrote Lawrence in a famous - notorious - remark. We can deny it, we can be rude about him and, if we wish, his fat German wife, but we cannot pretend to be beyond his influence.

There is of course much else of interest and value in this long, deeply-researched history. New Mexico, Mexico, Australia (*Kangaroo* as "the most under-appreciated of any of his novels"), the supreme travel writing (*Sea and Sardinia* after an eight-day visit), *Lady Chatterley* ("God forbid that I should be taken as urging loose sex activity") wrote Lawrence to Lady Ottoline Morrell - too late, of course).

My only regret is that we do not have more letters, which Maddox rightly explains is what makes her like him. Consider, for instance, a 1922 letter to Forster, not mentioned here - "I think you made a nearly deadly mistake in glorifying those business people in *Howards End*. Business is no good, isn't it? The best ever comment on Mr Wilcox?"

Rosie Jackson's *Frieda Lawrence*, with the same jacket photograph as the Maddox, is misleading. It turns out to be a hundred pages in defence of Frieda - answering in particular the title-tattle about Frieda's promiscuity and pointing out that she spent only 18 of her 77 years with Lawrence - and a reprint of Frieda's own autobiography, *Now I See the Wind*, which dates from 1935 and is economic with some of the *actualité*, yet has its own compulsion. A rather odd volume, but valuable to addicts.

J.D.F. Jones



New York, New York - exuberance and optimism captured in 1955 from 'Parkinson: Photographs 1935-1980' (Corran Octopus £40). Nearly 190 black and white pictures trace the 50-year career of Norman Parkinson, one of Britain's leading fashion and portrait photographers whose reputation carried throughout Europe and across the Atlantic. His subjects ranged from Noel Coward and Queen Elizabeth II to Seamus Heaney to Ivana Trump.

Aristocratic society in the middle ages was held together by the bond between lord and vassal. This bond was personally entered into, symbolically enacted, and rewarded by the property or fief, in virtue of which the vassal owed military service, attendance at court and other payments and duties to his lord. Political obligation and legal right rested on this principle, established in the 9th century and comprehensively applied to the exercise of power at every level of society in the 11th and 12th. The entire political and legal structure of western Europe in the middle ages was founded on it.

So the story runs. The artificiality of the idea of a "feudal system" has been well recognised at least since Maitland remarked that it was introduced into England by Sir Henry Spelman in 1831, but that has not prevented the principles associated with it (in this non-marxist sense) from dominating our conceptions of medieval society. The great medievalists of every European nation - Sir Frank Stenton, Heinrich Mitteis, Marc Bloch, F. L. Ganshof - have written their greatest books on its origins, nature, operation and consequences.

Susan Reynolds has had the poor taste and staggering

Pulling the plug on feudal rights

endurance to go looking for the evidence. Having assiduously searched a mountain of the most obscure and rebarbative texts the middle ages have to offer she reports that most of it is not there, and that what there is fails on examination to support the mighty edifice that has been built upon it.

A mighty edifice indeed there was, but the builders were not 9th- and 10th-century magnates appropriating the remains of public authority to enlarge their own estates and fortunes, as the old story had it, but 12th- and 13th-century lawyers and officials eager to expand the incomes and extend the prerogatives of their royal and princely masters over the mainly inherited property of their free subjects. It was they who began to speak of land being held of the lord - ultimately, of the king - and to use words like *oxygen* and *feudum*, with the overtones of honourable subjection and obligation from which their 18th and 17th-century successors could abstract a complex conceptual system.

What we have taken for the elementary structures of European society are really the products of something more like bureaucracy than feudalism: products, in fact, of the transformation which made government something exercised through the written word rather than by force, and therefore placed it in the hands of those who knew how to manipulate words.

Twelfth- and 13th-century bureaucrats, like other bureaucrats, needed precedents for what they decided to do. It was the lawyers' business to find them. In doing so they described a world which, we have mistaken for a real historical past. Susan Reynolds conducts her campaign with considerable learning and technical skill across a wide stretch of European history. Since a great deal of it

FIEFS AND VASSALS
by Susan Reynolds
Oxford University Press £20, 544 pages

Troubled tales

There is something enigmatic - many people would use a stronger word - about Gerry Adams, the Sinn Féin leader. What is really going on behind that well-trimmed beard? Most of us have forgotten Adams's voice, too, since British law demanded that his broadcast words be dubbed. Instead we have a quite possibly to Adams's advantage - the soothing sounds of professional actors.

Although most of them have appeared elsewhere, these reminiscences, short stories and political essays could not be more timely. Anyone remotely gripped by the possibility of peace in Northern Ireland following the IRA ceasefire of August 31 should read these pages, if not for their exculpa-

tory logic then for the tone of voice beneath.

Adams writes fluently and observantly, even if in his scenes of working-class Catholic life the dialogue sometimes strikes the reader as artificially rehearsed. He displays a hard-edged compassion for the silent poor, the old and the down-and-out.

Occasionally sentimental, these are quite clearly moral tales - and the moral is usually political. An old woman is told by a keen young parish priest to choose between her politics and her religion; an unmarried brother and sister fall out over the righteousness of armed resistance. Yet there is also a portrait of a "good" Orangeman. The unionists could do with so gifted an apologist.

In the polemical pieces - particularly those explaining his political views and justifying the IRA's terrorism - the less humane voice of Gerry Adams comes through. It is the hectoring sound of 1960s-inspired revolutionary socialism and class struggle. Northern Ireland is a "colonial statelet"; it is a police state practising South African apartheid; bombing and mur-

der are "physical force politics".

Adams says he deeply regrets the deaths and injuries caused by The Troubles. He talks about "considerable moral problems in relation to armed struggle". No doubt he means it, as he means the rest. But has he a clue how this sounds to people outside?

The last essay, written this year, manages to be both

GERRY ADAMS:
SELECTED WRITINGS
Bantam £7.95, 316 pages

uncompromising and ambivalent. It is desirable in practice that the consent, or assent, of as many unionists as possible should be obtained to the steps that would be practically required to bring about the ending of partition and establishing a united Ireland. No wonder Westminster cannot read him.

Are Gerry Adams and his followers now ready to settle for something short of the unification of Ireland? Here you may read and judge for yourself.

Christian Tyler

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SPORT

Golf

Great courses: a great curse

Resorts and designers are setting ordinary players too much of a challenge, writes Derek Lawrenson

It is not often you play a course on holiday and then get the chance a couple of weeks later to ask the architect what he thought he was doing. The course is situated on the beautiful Hawaiian island of Kauai. Hanalei Bay curves behind it. The imposing Mt Makana, or Bali Hai, as it was known in South Pacific, which was filmed there, rises above.

The Prince course is usually said to be the best in Hawaii, and it is not hard to see why. There are some breathtaking holes. The par four first is surrounded by the Anini stream. The par five second requires a carry of at least 100 yards across a hazard. The fourth has water all down the right hand side. They are the easy holes.

By the time you have reached the 13th you are in a tropical jungle and on no account should your drive stray from the straight and narrow by more than 20 yards. The last three holes are among the

hardest. It was, unquestionably, one of most daunting, and exhilarating courses that I have ever played. And that was the problem. I am a seven handicap player, who once played off one, and by the end it had proved too tough for me, even on a day when I had played reasonably well. Now it is not being immodest to say that if this course was too tough for me, then 90 per cent of the people who venture on to it will not be able to cope.

When I played, the course became clogged with people hitting

shots into bushes or streams. As they lost balls and spent ages in the process, the better players lost patience and the result was a masterpiece of a course that hardly anyone enjoyed playing. Two of the three people with whom I was playing abandoned their rounds in spite of having paid the high fee.

Such difficulties may be encountered on many of the world's great golf courses. They result from the owners' desire to create a notable golf course, which will attract favourable press comment and so bring in fee-paying customers. But

putting a 28 handicap golfer on the Prince course is like asking an apprentice to play for Manchester United's first team.

One of the great things about golf is supposed to be that anyone can walk in the footsteps of the top players, and play the shots from where they played them, and marvel at their skills. But half these courses are either very private or very expensive; and the other half are so full of golfers without the skills to play them that the round becomes very long and tedious. So, when I asked the architect of the

Prince course, Robert Trent Jones Jr, why he made it so difficult, I knew what he would offer as an opening gambit: "Well, first you have to remember that I design courses to a client's instructions. The Princeville resort, where the Prince course is situated, already has one, what you might term, a playable golf course, and what they wanted was an alternative, more challenging layout. Which is what I built."

Jones is an amiable, intelligent man who loves golf and has designed many such courses. He

was aware of the question's implication: "I agree, it is a great problem," he said.

Why not introduce a handicap limit limiting the more challenging courses to players with a proven handicap of 18?

"In America? The owners would be swamped with lawsuits before the first day was out. But I think there is a way of alleviating the difficulty. The solution would be to make sure that for the first couple of hours of each day, the better players get a chance to go out, and so set the pace of play for the day."

"But the trouble with many resort courses is that they need the money from the green fees, and that is of more importance to them than any question about the pace of play."

This, to a great extent, is what happened in Spain in the late 1980s, as the courses became flooded with people and the prices went up and many British golfers, tired of five hour rounds and exorbitant prices, went in search of new pastures, such as South Carolina and Florida. Spain has tried hard to make up for past mistakes.

What about forward tees, you might ask? Surely the more modest players could play off these tees and so play a shorter course? True, but it still would not help them overcome the intimidating factor of trying to carry water hazards or ravines, or drive down an avenue with jungle on either side.

As Jones said, the game has a problem. Suggestions, please, to all the world's great resort courses.

Soccer

Students at the feet of the masters

On a dust-red football pitch an hour from Brazil's largest city, Sao Paulo, the daily training regime begins promptly at 10am. It follows a familiar pattern of running, passing and ball control practice. This is a scene played out thousands of times throughout the country of the World Cup winners. It is a scene that would barely catch the attention of a passing villager, tempted to break the monotony of the day.

But this is no ordinary practice session, and certainly no ordinary team. The trainer's barked orders induce uncomfortable giggles among local children who have come to watch. The players, all teenagers, have the same taut and agile bodies of Brazilian footballers. But their faces are very different.

Jin Zhengmin, manager of the Chinese National Youth Football Team, steps forward to explain why he, two trainers, a teacher and China's 22 most promising young footballers are living on the other side of the world in Brazil.

"We are preparing for the 2000 Olympics. These players will return to China in five years. We have other programmes under way in China, but we hope these players will be the best," said Jin, who played for his country in the 1980s and was a big fan of Bobby Charlton.

China is a newcomer to the footballing tradition. The game only recently became popular through television and the 1986 and 1990 World Cups. In some regions the former England captain Gary Lineker overtook Margaret Thatcher as the most famous Briton.

Impressed by this growing popularity, and football's suitability as a cheap team sport for developing countries, bureaucrats in Beijing agreed the country's football infrastructure needed an overhaul. China was making a concerted

push to enter the top levels of international sport, a campaign which led to outstanding results - as well as accusations of foul play - in swimming and athletics.

Two years ago, when China was still favourite to host the 2000 Olympics ahead of Sydney, a nationwide championship was held to select the country's 60 most promising footballers. Following further trials in Beijing, the best prospects, aged between 14 and 17, were sent to Brazil to spend five years learning the game.

They arrived last November

Angus Foster watches a familiar scene with an unexpected twist

and the team is playing in championships and cups around the country and may soon hire a Brazilian coach. Jin also hopes that his most promising players will join local clubs, although Brazil's rules on employing foreigners are tight.

According to Li Fei, one of the squad's two trainers and a former professional player in Germany, China still has much to do before its football reaches international standards. "Compared to other countries, these boys' level is poor. But for China, it is very high," he said.

China supports the programme but all finance has been provided by a drink company from China's southern province of Guangdong. Brazil seems an odd place to send China's sporting prodigies. The country's football is unquestionably often brilliant. Yet it is equally often erratic, and stresses an individualism which would shock many a Chinese mandarin.

Jin, a likeable, earnest man, explains: "The Brazilian play style is the same as the Chi-

nese, both strong and agile but slight. This is better for our young people who have difficulty playing against young Europeans, who are bigger."

The young Chinese are quickly adopting Brazilian habits. One training exercise involved practising the back flick perfected by the retired star Socrates. At the end of the session, the players huddled arm in arm singing a football song learned from Sao Paulo football club, and shouting "China" in Portuguese.

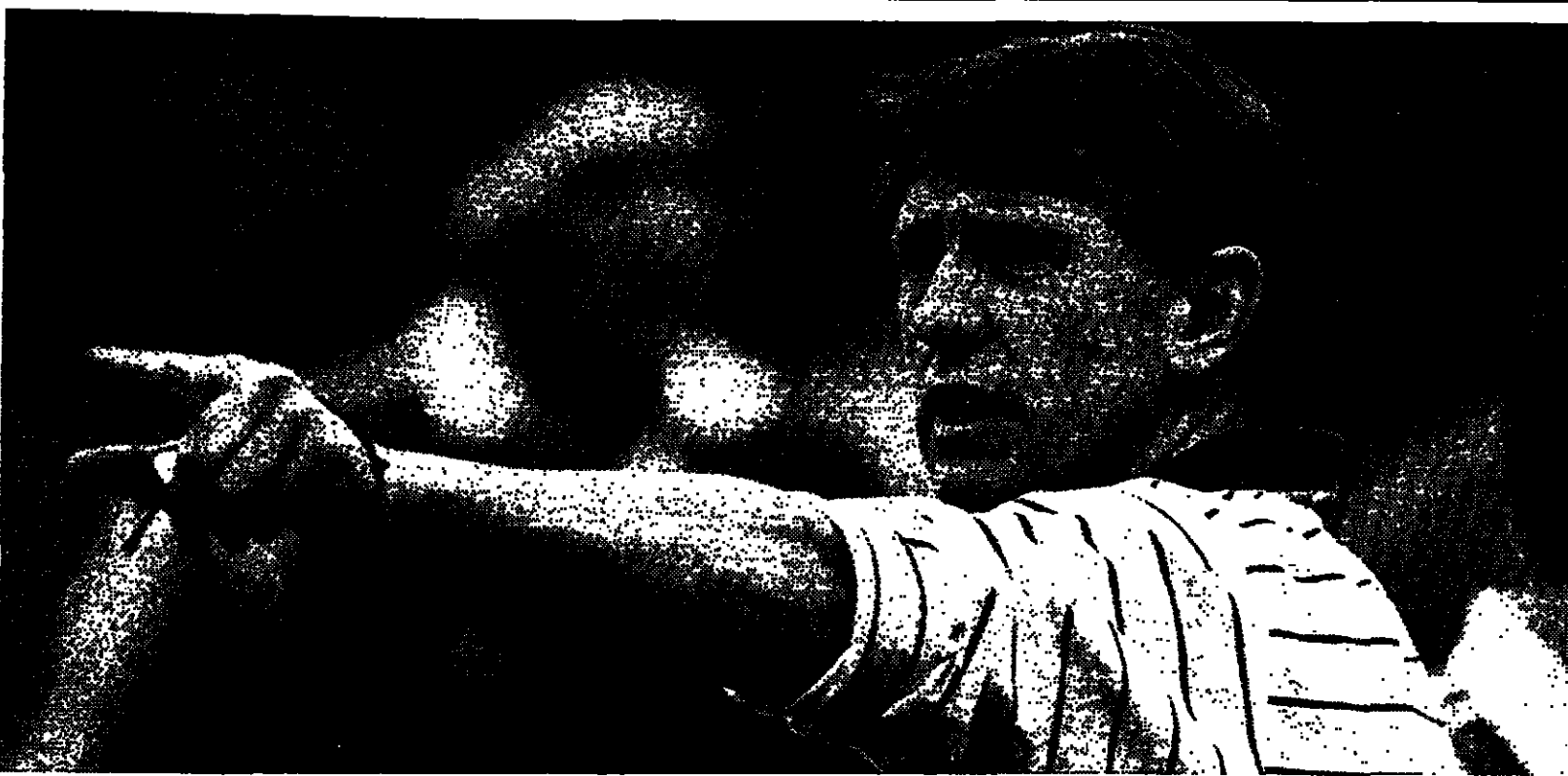
The squad's indoor training school, a wooden barn, was transformed into a party hall for the Carnival celebrations. According to Jin, the squad is employing a Brazilian to teach it to dance the samba.

Some of the players say they miss Chinese food, but Jin is adamant. "Brazilian food is better for football training because of the high meat and carbohydrate content," he said. Asian habits rule when it comes to punishment. Culpits run between two lines of players and receive violent slaps on the back from everyone.

Following a two-hour session, the boys return to their training camp in a bus hired from the local municipal council. The Olympic rings have been painted on the dormitory building's wall. There is also a huge Chinese flag and map in the dining room, and a video recorder and some popular Chinese films.

Otherwise, there seems little to occupy China's future footballing stars. Many of their countrymen would no doubt envy them and their bright sporting futures. But five years seems a long time to spend on a farm in the middle of the Brazilian countryside.

One of the boys, with short hair and bad acne, seemed unconcerned. "There's many things to do to relax. We can play football," sometimes there's football on TV and there's lots of videos of football matches," he said.



Man in the middle Jim Fleming, refereeing last season's international between France and Ireland

Rugby Union/Tom Fort

Outnumbered by 30 to one

Complaining about the umpire or referee is one of sport's most enduring traditions. In whatever level, the man charged with the duty of judgment finds himself the scapegoat for everyone else's rage and disappointment.

On the village green, the opening bat stares with theatrical disbelief at the man in the white coat who has had the nerve to give him out. Then stalks off, muttering and expostulating. I have seen a ref who disallowed a goal in a Slough Industrial League Division Three soccer match knocked to the ground for his troubles. At Wimbledon, a tennis official in a Panama hat is expected to smile politely on his stool while some offish super-ego swears at him over a foot fault.

But in no game, I would suggest, is the lot of the referee more difficult than in rugby union. He has to put up with all the abuse and unpleasantness which law enforcement provokes in any game. But in addition, the interpretation of laws and the detection of infringement is particularly difficult in rugby.

I know because I have done it, twice. Of the second occasion I can remember little, except that it was disgraced by one of those ludicrous brawls which are a time-honoured characteristic of coarse rugby. I brought it to an end - rather brilliantly, I thought by lifting one of the protagonists off the ground by his collar.

The first, though, was a fiasco from start to finish. I was somewhat handicapped because I had left my spectacles in the changing room, which meant that everything happening more than 20 yards from me was little more than a blur. But the chief problem was that, even when I was on hand for ruck or maul or scrum, I could not work out what was going on.

Amid the churning mass of bodies, the ball was sometimes visible, sometimes not. At any moment, it seemed that almost everyone was committing some kind of offence. This presented me with a choice between non-stop whistle-blowing - necessitating an instant choice of whose illegality was the gruest - and quiescent inactivity.

I varied erratically between these two

courses, and thus fell into disrepute. Whatever I did was wrong, and the entire match unfolded to the accompaniment of an incessant chorus of complaint. Bereft of authority, I became disillusioned and a sad hate-figure on a dank Sunday afternoon. At the end, my own team secured ignominious victory with a try which came - so my own chums cheerfully confided to me afterwards - from a pass which was a good yard-and-a-half forward.

I did not know the rules, of course. Nor was I in a minority at the lowly level at which I played. We may have had a vague apprehension of the guiding principles which informed the code. But of the detail we were appallingly ignorant. And even when we did know a particular rule, we had no inhibition about breaking it, nor about protesting long and loud if we were detected.

Now the laws are even more complicated than they were then, and the game is afflicted more than ever by this combination of ignorance and wilful lawlessness. And who gets the blame for the resulting shambles? Is it the players, who trample on the rules, or

the lawmakers who dreamt them up? No, it is the man charged with enforcing them.

Thus we had the preposterous spectacle of the players from Bath and Wasp's excoriating the referee for ruining what should have been one of the showpieces of the last league season. His crime was that he had had the nerve to whistle up for a mere 48 out of the uncountable offences committed during 80 minutes of ill-natured anarchy.

Pity the poor ref. It is not his fault that the game should have sunk into a grey swamp of well-intentioned but unenforceable regulations; nor that players at all levels should have become so expert in exploiting the vulnerability of his position. The miracle is that rugby union should still be capable of producing moments of clean, incomparable exhilaration. The almost hysterical ecstasy which greeted Underwood's try against Wales, Geoghegan's against England, Quinell's against France in the last batch of home internationals, is dire evidence of their rarity and the unhappy pass this great game has got itself into.

Motoring

Saab increases the cylinder count

Stuart Marshall tests a new range of executive models designed to satisfy the engine snobs

In the business car pecking order, Saab has always occupied a niche somewhere above Ford and Vauxhall (Opel to mainland Europeans) but just below BMW and Mercedes. Saab's niche-fellows have been sporty, individual cars such as Alfa Romeo and Lancia.

So, why has a significant minority of business users in Britain, with freedom to choose any car, gone for Saabs? Perhaps because they are so enjoyable to drive that you feel the company's managers must be enthusiastic motorists, not corporate bean-counters obsessed with cutting costs and raising margins.

Second, Saabs are produced by an offshoot of Sweden's only aircraft-maker. Knowing this evokes the right responses on technical merit, safety, durability and environmental acceptability. And, third, Saab's badge has never been put at a disadvantage by being seen on small, cheap cars such as Piestas and Corsas.

As a low volume car-maker - under 100,000 a year - Saab could never afford the luxury of a range of engines. For two decades, it had just one; a four-cylinder conceived in the early

1970s by Triumph at Coventry, in the English Midlands.

Over the years, it has been modified extensively and turbo-charged, fitted with highly sophisticated ignition systems and, ultimately, enlarged to a 2.3-litre with twin balancing shafts.

Driving a turbo-charged and inter-cooled Saab 900 or 9000 has always been one of motoring's better experiences. The cars exude integrity; their engines are flexible at low speeds, exceedingly vigorous when needed, and run smoothly at all times. But they have only four cylinders. Many

status-conscious business drivers dream of at least eight cylinders, although most have to settle for six. Now they will no longer need to reject a Saab 9000 because it has too few cylinders. Two flagship models will be in the showrooms next month powered by a three-litre V6. (I have not forgotten the 900 V6, which has been around for some months. What I am talking about are big cars for senior managers.)

Heart of the latest, range-topping Saab 9000 Griffin saloon, and the slightly less elaborate 9000CSE V6 five-door,

is a General Motors engine. This 215-horsepower unit is also used in the Vauxhall (Opel) Omega, just as the Saab 900's 2.5-litre, 170hp V6 is shared with both Omega and up-market versions of Vauxhall (Opel) models such as the Cavalier (Vectra) and Calibra.

GM rode to Saab's financial rescue three years ago but is keeping the Saab marque quite separate from its mass sellers. Smaller capacity, four-cylinder 9000s continue to be available. Most potent of them all is still the turbo-charged and inter-cooled 2.3-litre, 230hp

Aero, which more than matches the V6's pulling power (torque) and, on paper, offers slightly better fuel economy.

Yet, when I drove them in northern France last week, I thought the V6 9000s, if a mile less fiery, had all the performance for which any business motorist could reasonably ask. Their ride is excellent, their handling nimble and reassuringly secure. Automatic transmission is standard.

At £31,995 list, the 9000 Griffin - and, to a lesser extent, the £29,995 9000CSE V6 - will face fierce competition, including the Vauxhall Omega Elite (£27,385). This has the same power train and similarly lavish equipment.

Saab, however, is banking on charisma and exclusiveness to persuade buyers to get behind the wheel of a Griffin rather than the poshest Omega or Ford Scorpio.

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Saab's latest 9000, the Griffin luxury saloon, a 3.0-litre V6 for user-choosers who count the number of cylinders

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FT Expedition/Arnie Wilson Worn tracks

Arnie Wilson and Lucy Dicker are trying to ski every day of 1994 on a round-the-world trip

After 250 days (500 vertical miles) of skiing, the toll is beginning to tell - on both skis and skins, if not the inner us. "Your skis are just about blown out, mate," says Alex Herbert at Fleet's ski repair shop in Thredbo, one of the leading resorts in the Australian Alps of southern New South Wales.

Thankfully, a new pair of Salomon is winging its way towards me, courtesy of Snow + Rock and friends who are paying a flying visit to ski with us. They are also bearing all kinds of potions from Clarins to restore our faces, seared by the scorching NSW sun.

At nearby Perisher Valley, they - like many resorts - keep a list of daft questions people ask. "What time does the chairlift go?" is one. "Will it snow at night or during the day?" is another.

Perisher got its name when two cattlemen, trying to round up their herd before winter set in, rode into a blizzard. One of them wrote later: "We rode out to the west face of the mountain to look down along the Snowy River to see if the cattle were there."

The frozen snow was beating into our faces, Jim Spencer's beard was white with snow and turning to me he said: "This is a perisher."

In those days, snow was bad news; but now people sometimes travel for days just to see it. Dennis Bullen - originally from Barnet, London - drove for three days from Brisbane to reach Falls Creek in Victoria and enjoyed skiing in the rain so much that he is determined to return to Max and Rosemary Aitken's Featherston Lodge next winter.

Bullen's wife Margaret, who had never seen snow before, was less enthusiastic. "The snow was wet and cold," she said. "I was hoping it would be a bit fluffier."

Max Aitken is another Englishman who only took up skiing once he had emigrated to Australia. He broke his leg playing rugby for Widnes, came to Australia to recuperate, married, and is now a part-time ski instructor.

Driving long distances is not uncommon in Australia. One skier at the Barrakee Lodge, Perisher, knows two farmers from Nelson's Plains (a couple of buildings 18km north-west of Newcastle in NSW) who wanted to run-in their new car and drove to Perth, 3,000km away, for a hamburger. It took them four days.

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PROPERTY

Auctions: the simple way to buy and sell

They are quick, efficient, and offer freedom from gazumping. Gerald Cadogan explains what to do

The property auctioneer issues his challenge: "It's against you, sir." What does he mean? And what is "sir" to do? In fact, the auctioneer is saying that another bid has topped yours - so you must decide whether to carry on bidding or forego the property you are seeking. At such times, the adrenalin surges - but you need to stay cool.

If you like brinkmanship, you could wait until he says: "Going for the first time, going for the second time..." You then slip in a bid just before he has time to say: "Going for the third time, and sold" (with a bang of the hammer). Sometimes, this ploy offers the chance for a bargain; after all, you would not expect frivolous bidders at this stage.

Sometimes, though, it never goes to the third call; the auctioneer stops to say: "I am sorry. The property has not met the reserve." If you remain interested, that is the moment to approach the saleroom manager and try to arrange a private deal.

Auctions are the quick and efficient way of buying and selling property, provided you know what you want and can afford. You have the security of knowing there is no gazumping - that is, acceptance of a higher offer from someone else after the deal has been agreed - once the hammer is down.

A saleroom assistant takes your name and a cheque for 10 per cent of the price (which the auction house will present next morning for special clearance), and you exchange contracts before you leave. Just 28 days

later, the place is yours. Sellers usually pay around 2.5 per cent, plus advertising charges. For this, they get far greater publicity than almost any private treaty sale.

Property auctions split into two types. First, there are small country sales of a single property or group of properties, often held in the local pub or village hall.

Then, there are large sales of many properties, held at hotels in London and other centres. These provide potential buyers with up to 700 homes a month from which to choose, says Gary Murphy of Allsop, a leading auction firm which sold 1,574 residential properties (33 per cent of those offered) for £61m in 1993. About 60 to 70 per cent are repossessions.

Murphy points to a growing trend for auctions to be used as a first resort rather than the last, as they used to be until quite recently. Part of the reason undoubtedly is that buyers are sure of a fixed price - and sellers of getting their money without purchasers pulling out because the chain of which they are part breaks down.

If you are selling, you must decide with the auctioneer on a reserve price. This will not be more than the published guide price, which is intended as a realistic estimate and is often exceeded, anyway.

The seller must also give the auctioneer copies of all the relevant papers. For a £10 fee, these can be passed to a potential buyer or his solicitor, together with any special conditions of sale.

It is important to remember



For sale... a farmhouse with two cider orchards near Taunton, Somerset, to be auctioned on October 27. (For details, see box)

that all parties must do their legal homework, as auction sales are binding contracts and are not offers subject to contract and survey, as in a private treaty sale.

Once you have found something you like, decide if you want a survey done (this should produce an independent valuation). Then, contact your mortgage provider and tell your solicitor, who might want

to get in touch with the vendor's lawyer. Your financing, and everything else, must be in order before you go into the saleroom.

If you do not want to bid before the sale, check carefully - and often - that the property has not been withdrawn or "sold prior"; auctioneers will provide an addendum that details any last-minute changes. On the day itself,

arrive in good time. Listen to what the auctioneer says in his general remarks - they may affect the lot in which you are interested.

If you can, take your solicitor or surveyor to bid for you; they will not be carried away. If you bid yourself, pay attention and keep your limit firmly in mind. Do not rush to enter the bidding; it can help you if it is slow.

(There is an alternative ploy to which I once fell victim when trying to bid for a semi-detached farmhouse. The survey had been done and I had decided on what seemed a sensible limit of £30,000. As the auctioneer looked for starting bids, a voice from the back boomed "£30,000" - and blew away any competition on the spot.)

Finally, never bid for a prop-

erty you have not seen personally, as some dealers do.

Country auctions are excellent for properties that agents find hard to assess (which often means they are in need of considerable attention). This summer, for instance, Carter Jonas sold a Georgian old rectory at Moulsoe in Buckinghamshire for £220,000 (guide price: £150,000).

The property was in a terrible state - its last serious redecoration was in the 1930s. But Margaret Whitmore, of Carter Jonas, explains: "We held the sale in front of the house. Everybody knew what was on offer."

Meanwhile, more than 100 people attended Henry Adams' auction (in Goodwood House) of the derelict Seven Points on the Goodwood estate in West Sussex. With a guide price of £125,000, it went for £137,000.

Some future large auctions: Allsop (071-494 3888), October 24, London; Edwin Evans (071-228 5864), September 22, London; Fox of Brighton (0273-321300), October 6; Hove, and Fox of Southampton (0703-355699), October 27; Southampton; Hambro Countrywide (0245-344133), September 22, Grays;

Essex, September 24; King's Lynn, Norfolk, and September 27, Redruth, Cornwall; Skidley & Kent (071-284 0181), September 30, London; Winkworth (081-688 6867), November 2; London. Country auctions: Dr October 19 Paul Jackson of Lymington, Hampshire (0590-674417), 0245-344133, September 22, Grays; will offer Hawks Cottage at

Keyhaven with a guide price of £250,000, in the pub next door; and on October 22 Stuart & Parker in Exeter (0392-215631) offers a farmhouse, two cottages, barn buildings and two cider orchards at Halse near Taunton in the village hall, with guide prices from over £10,000 for one orchard to over £170,000 for the farmhouse.

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OUTDOORS

Time to dally in dahlias

September is just heavenly for gardens, says Robin Lane Fox

I have just been surveying autumn as it should be, spread out before us in central London. The great autumn flower show in the Royal Horticultural Society's halls has none of the extravagance of Chelsea; on Tuesday and Wednesday, it drew discerning crowds who knew they could not see these exhibits under canvas in mid-May.

September is heaven in my horticultural book, especially when it alternates between sun and rain. The older gardening authorities skate over this excellent month, moving from buddleias to autumn colour with only a sideways glance at Michaelmas daisies. But, in the past 10 years or so, its horticultural scope has broadened beyond recognition.

If you miss the autumn shows, you are the sort of gardener who starts thinking far too early about Christmas hyacinths. You are also one of the class who runs a mile from dahlias.

No, I would not want them in an average small-town garden; yes, the dahlia varieties in popular offers are frightful. But if you look for the best, you see a depth of colour and shape which will lift a rural border out of autumn rust and mildew.

At Powis castle, on the Welsh borders, they have no qualms about dahlias; and anyone who saw yet another prize-winning show from Ayletts of Hertfordshire this week will have vowed to follow Powis's example next spring. The best varieties of dahlia have such remarkably clear colour and well-defined flowers: Dahlia Charles Taylor was a front-run-

ner this year with scarlet flowers like an inward-curving peony, while Vicky Crutchfield remains a first choice among the pinks with flowers like waterlilies.

These prize dahlias are in a different league to those balls of mauve flower which turn up among the French marigolds in the gardens of visual vandals. The flowers are not lost in heaps of coarse leaves and they are not impossibly shaggy.

There are six months until the season for starting new dahlias in April; but if you want to prolong a border in September, and double up on cut flowers and height, you cannot ignore the first-class forms in the family. Ayletts itself is the tops although that authoritative guide, *The Plant Finder*, still omits it.

Elsewhere, the way to civilise an autumn exhibit nowadays is to pack in the crocuses. Many of you already grow the bright crimson varieties of these corns, especially the Lucifer variety which has long been an FT favourite.

Exhibitors now upstage it with the clear, soft yellow Solfatare, the flowers of which beat the other commercial forms in shades of yellow and orange and are matched enchantingly with the blue of aster King George or the blue and silver-grey perovskias.

Bags of Solfatares were changing hands to keen visitors, but they ought to remember that it is not the hardest in the family and needs to be top-dressed with a protective layer of debris from November until April. This protection is worth the bother because this delightful form goes so well with white anemones, early



Visitors admire the exhibits from Burncoose Nurseries at the RHS great autumn flower show

Michaelmas daisies and the first of the autumn crocuses.

An autumn show faces in two directions: backwards, to the best of the season's half-hardy plants in their final phases; and forward, to bulbs, daisies and shrubs which will not go under at the first sign of frost. Among the season's tender pot plants I made yet another mental mark for the white form of mimulus called Popocatepetl; this flowers profusely in pots and sunny borders, having earned its reputation in California. Brian Hile in Wallington, where London's far southern suburbs meet the M25, is one of the few suppliers so far.

These evergreen mimulus are future stars for terrace and courtyard gardening, and he helped me to understand the cause of their only failure. Sometimes, a stem will go brown and die back, a fault which I have attributed (wrongly) to over-fertilising. The real reason is that its faded flowers have not been dead-headed, and fungus enters their stem if they turn

brown and are allowed to hang around.

Ten years ago, the only familiar form was the orange variety, which was so famous as a centrepiece in the red and orange garden at Sissinghurst, Kent. But we now have white, pale orange, lemon yellow and shades of pink waiting to spread in frost-free seasons from America's west coast.

Among the frost-proof perennials, the autumn bulbs are a spectacular sight, reminding me not to overlook them when their catalogues turn up in the rush of next spring. The best of all are the white colchicums, like huge crocuses with no clothes on because they flower before the leaves.

The leaves appear in spring, usually to a bad press, but I now agree with the keen eye of expert grower Graham Thomas who values them as a foil for yellow daffodils against grass in early spring. The best variety is Speciosum Album, although its price is a discouragement. A few bulbs go a long way, and there is no question

of needing to plant them with the same profusion as the crocuses of spring.

The shrub growers had the luxury in their exhibits of pretending that the drought had never existed. The hydrangeas looked fresh and newly-watered, whereas mine have been burnt miserably along the edges of their leaves.

As often, the most ambitious stand came from Burncoose Nurseries of Redruth, Cornwall, which continues to proclaim its fondness for despatching by mail order. I would have sent away for its oak-leaved hydrangea Quercifolia on sight, but I know that it is so much better in damper and deeper soil. A show plant is fun, but misleading. The delicate aster Pink Monster looked more accommodating and not at all monstrous, and I wish I could combine it with those marginally hardy relations of mimosa which the nursery shows so well.

At a different level of hardness, you could have rounded off with a remarkable array of hollies put on by the unstop-

pable Morris Mason from his broad private acres near King's Lynn, Norfolk. Long before the season for berries, he had collected a superb range of shining green and beautifully-marked varieties, reminding us that nurserymen do not have the monopoly on major families and that gardeners are still much too slow to exploit what this family can offer.

The extremely spiny leaves of the various hedgehog varieties are best kept as individual specimens, but his display of variegated forms of ilex aquifolium reminded me of the elegance which we overlook because we are all too afraid of prickles. The fresh, golden-yellow marking of forms like Flavescens would please anyone.

Egged on by this autumn exhibit, I intend to use them to fill out and brighten the places which need an evergreen but which will not suit anything of doubtful hardness. Whatever the winter throws at us, the hollies will come through it, an idea from the autumn shows which will still be around in subsequent summers.

Fishing/Tom Fort

Wild night on the loch

Most fishing is good, unmemorable fun. But there are two other categories of experience: the hellish, when it becomes a torment, and certain days or nights with a blessed quality that stamps them in the memory, like a seal on hot wax.

In general, it is fortunate that there should be a balance between the bloody and the miraculous. Were there too many of the former, we should have to escape and take up something safer. An excess of the latter and we (well, I) would soon shed humility and become smug.

It is also to the good that both should be rare. So, I am a little worried for I have had two wonderful, indelible nights this summer - and no immersions in the Slough of Despond. I feel catastrophe is lurking every time I pull on my waders.

The first was on the Suir, in Ireland, and I have sung that song of triumph already. The second belonged to a little loch in Inverness-shire with a Gaelic name - a' Ghreidhe - as romantic and wild as its setting in the hills that rise between the glens of Affric and Moriston. Its inhabitant was a man with a twinkle about him, Kyle Laidlaw of Tumlach.

What you need for this loch, he told us, is a night with no wind. And even then, he cautioned, there could be no certainty for the trout of the loch (pronounced Uretel) were unpredictable and contrary, and the season was late. But they were big: some up to 7lb.

The night came and there was an excitement crackling between my friend Stevie and I as we bounced up the track into the hills that hid the loch. Kyle was waiting for us, were the midge. Beneath us, the surface was glass-smooth, except for the dimples of the trout.

A pale, brilliant full moon lit the sky as we clambered

aboard the boat. A tiny wind sprang from somewhere to ruffle the surface. There was no longer any sign of rising fish.

The method was simple: a big, hairy sedge cast out, then retrieved in steady pulls to create a highly visible wake on the water. Stevie was bubbling with hope and expectation; I was dubious. But on my third or fourth cast, there was a rush at my fly and the rod tip curved. It was not a big fish - three-quarters of a pound or so - but it was a start and I too was caught up in the excitement of the night.

I can still feel what it felt like to be there: the darkening, receding shore; the moonbeams lighting the ripples left by the sedge; the slow push of the oars; Kyle's soft, laughing voice speculating on vagaries of trout - and increasing frenzy at the other end of the boat. For Stevie was into fish after fish, each splash and fight accompanied by an explosive commentary on his expertise as a master angler.

He had four, the last a tremendous, big-headed, bold-spotted creature of well over 2lb. And, all that time, although we were fishing the same water with identical flies, I had nothing.

On the stroke of midnight, soon after Stevie had yelled that he was hyperventilating with the strain of it, a fish took me near the reeds in quiet, resolute fashion. It fought like a hero, belying its weight (a little under 1½lb) with the power of its runs.

With it duly netted, the quiet of finality settled on the loch. No more would the fish rise that night and, suddenly, we realised how cold it had become. Back on shore, we toasted the catch and then headed down the track, leaving a' Ghreidhe with its secrets and its fish for another night.

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FASHION

Informal elegance these days is elusive, especially since few now pursue the traditional pleasures of field sports which once supplied a panoply of appropriate off-duty ensembles. Modern leisurewear seems polarised between the uniformity of American cotton sportswear and the horrors of the nylon shell suit.

But, since more of our time is being spent in casual dress, even in the workplace, perhaps we should look beyond the confines of the locker room and, instead of posing as athletes no matter what our physical condition, find a relaxed informality without sweaty association.

Tarlach de Blacam, the owner of Inis Meain Knitwear, offers just such an informal elegance. His knitwear is loosely inspired by the native dress of the Aran Islands' fishing community, some 30 miles from the Galway coast.

As long ago as 1907 J.M. Synge admired the islanders' natural elegance. "The simplicity and unity of the dress," he wrote, "increases in another way the local air of beauty." De Blacam has tapped both the sense of design and the knitting skills of the people on Aran to create bi-annual collections of knitwear that look as beguiling on a Wall Street banker as on a fisherman.

Banish from your mind the notion of chunky, scratchy, shapeless fishermen's jerseys sold in roadside tourist traps.

Instead, picture butter-soft alpacas and cashmeres for winter and linen-silk mixes for the summer piled high on the shelves of exclusive department stores, such as Liberty in London or Bergdorf Goodman in New York. Inis Meain Knitwear is worn by discerning men and women from Tokyo to Capri.

The colours are inspired by the dry-stone walling on the Aran Islands. Traditionally its men wore natural colours, indigo and slate greys, its women, madder red and navy. To this de Blacam has added the tar-black of the curragh hulls, the infinite blues of the glittering seas, the greeny-browns of its saline weeds, and the myriad hues of the wild and rare flowers - those shy, pointillist specks of colour sheltering from the salty sprays between the limestone shards: gentian-blue, cranesbill purple, stone bramble-vermillion, sea bindweed and mayflower pinks, and the singing yellow of biting stonecrop.

De Blacam is a practical dreamer. He has fused the romanticised notions of traditional Celtic life, passed down to him by his grandfather, with the opportunities of Japanese computer technology and the harsh financial realities of the fickle fashion market.

"We have enormous disadvantages operating from this place - communications, basic financial services, such as banking are all poor," he explains.

Initially, knitwear was rowed to the mainland on a curragh before being jetted around the world but now de Blacam has brought an aircraft service (1975), as well as electricity (1978) and water (1981) to serve the island's 300 inhabitants. To



Hooked on simple Irish elegance

Jane Mulvagh explains how the under-stated knitwear worn by fishermen inspired a sought-after fashion range

Photography - Mike Bunn Hair - Brian Murphy Styling - Jane Mulvagh

meet all these costs and make enough profit to keep in business he had to target the top end of the market and go for innovative, high-quality design and rich raw materials. "But apart from that," says de Blacam, "if we just churned out old fishing knits I'd be bored stiff after a week and give up!"

De Blacam taps the local skills of 22 employees, mostly women, from whom he culls endless stitches and patterns handed down through the ages. And because he is marketing direct from Inis Meain there is a good opportunity to exploit and romanticise the story of knitting on the Aran Islands.

"But," he cautions, "although the romance is a bonus it is the quality that sells the product. The romance is just the sizzle on the sausage."

Initially de Blacam, now in his 40s, was seen as a madman. "The 1980s was the decade of whizz kids in the big cities. All they wanted was suits and labels."

"They did not know how to dress casually. Believe me, in the 1980s it was difficult to sell our knits. It is only now in the 1990s that people see an alternative way and have become environmentally convinced. Ireland is now seen as very

chic. To some extent, my time has come."

Gaunness led de Blacam to target the discerning and fashion-sensitive Italian and German markets. "Selling into Europe is a discipline and I always guessed that if I could sell to them I could sell anywhere. Whereas, in the English-speaking world, because you are Irish and a knitwear manufacturer, you are perceived as ethnic-Irish and your knitwear as bog-standard, so I had to make my name elsewhere."

One myth that de Blacam is keen to dispel is that there is a resistance among these isolated peoples to working in a modern way. Because of the numerous failures among small industries in the west of Ireland, many of which were subsidised by the EC or the Irish government, they are now seen as high-risk areas.

"The workforce is always blamed. But in my opinion it's the management and the sales team who are unable to cope with working from a remote location. The workforce, believe me, is second to none."

De Blacam and his wife and partner, Aine, have, in 20 years, created a company producing 20,000 units a year with

an annual turnover of £1m. In the next year they intend to employ another 15 islanders and have stemmed the tide of emigration.

"We've given the place a sense of belonging and something to contribute to the world."

"The islanders are not a drag on the national or the Euro-

pean exchequer. We make a contribution of about £100,000 a year to the exchequer and that gives these people great pride and means they can stay where they belong rather than having to go off to look for work."

"This means we can keep our society here better balanced and not, like many Irish

villages, filled with just the very young and the very old."

One of the distinguishing features of the fiercely independent islanders is that they were always, despite their poverty, immaculately dressed. Aine, a native islander and niece of the island's poet, says: "If you look at the photos of the islanders during the

numerous famines of the 19th century you see that they were always extremely well turned out compared to the mainland. The women were self-sufficient and made their own clothes with great care and attention. Their menfolk and children always looked well."

Tarlach and Aine have simply tapped into that sartorial pride and, as we pass two fishermen coming from the

beach wearing their Inis Meain jerseys, he points out their innate elegance. "They always go for the subtle, single-colour ones. They know that the jazzy patterns are for the tourists." And, in turn, these are the very styles that Yohji Yamamoto, the Japanese designer, has chosen for his next boutique collection which will be sold under the IM label.

■ All jackets and cardigans cost between £180 and £190, jerseys between £150 and £160 and waistcoats between £110 and £120. Stockists include:

■ In the UK: Liberty of Regent Street, London W1; Harrods of Knightsbridge, London SW1; and Simpson, Piccadilly, London W1.

US: Bergdorf Goodman, Barneys and Paul Stuart in NYC; Louis in Boston.

Italy: Top Ten, Turin; Giusto, Bologna; and Cantorelli, Perugia.

Japan: Ginza boutiques in Wako, Tokyo.

France: Aberdeen in Deauville and Alain Martiniere, Paris.

Ireland: Inis Meain, Aran Islands, Co Galway and Brown Thomas, Dublin.



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HOW TO SPEND IT

Pick your cotton for nights of linen luxury

Lucia van der Post hails a growing emphasis on synthetic-free bedding

All those addicted to antique linen and who cannot pass those magic words "antique market" without feeling compelled to start ruffling through the shelves will fall with joy upon Françoise de Bonneville's *The Book of Fine Linen*, which could easily become the addict's manual.

It is a homage to the subtle sense of luxury that crisp white sheets and soft blankets can convey, to the sense of security that comes from having piles of sweetly-scented, freshly-laundered linen neatly stacked in the cupboard.

These pleasures are once again accessible to all but the most impoverished. Habitat, for instance, sells only 100 per cent cotton bed linen. And now, for sophisticated, there are crisply-styled absolutely plain white sheets and duvets, there are cool checks for those who hanker for a plain-Jane New England look and there are plain natural dye bed linen sets for those who prefer their linen coloured. And all this comes at astonishingly reasonable prices - double duvet covers about £65,

standard pillowcases, £12.50, square pillowcases, £15.

Marks and Spencer is still, on the whole, addicted to its cotton and polyester mixes (its customers no doubt hooked on ease of care) but in its latest mail order brochure it does offer an absolutely plain white embroidered set of 100 per cent cotton duvet (£43 single, £53 double) and Oxford-style pillowcases for £13 each. The very plain 100 per cent cotton Jacquard bedspread in pure white is exceedingly nice and costs just £60.

Ikea, too, has gone for nothing but 100 per cent cotton in its bed linen range and seems able to offer it at the best of all prices - crisp New England blue and white checks with single duvet cover sets starting at £14.

In the past few years, however, a number of specialist companies have sprung up offering more exclusive ranges. Damask has been until now an online mail order company (write to Units 7 & 10, Sullivan Enterprise Centre, Sullivan Road, London SW6 for a brochure, sending £2.50 which is refundable when you spend over

£25) but in mid-October it will be opening a shop at 3-4 Broxholme House, New King's Road, London SW6.

It offers an unashamedly nostalgic look with white woven cotton bedspreads, gentle patchworks, faded prints or crisp checks and an especially attractive set of designs for the nursery, and nightdresses with plenty of old-fashioned innocent charm. The full-cover brochure shows the range beautifully and the collection can still be bought by mail. Prices are good - hand-quilted patchwork bedspreads cost £155 for a double size (215cms by 240cms), woven cotton bedspreads starting at £46 for a single size and finely embroidered duvet covers starting at £34.

Those who prefer a crisper, more contemporary look should look out for Turquaz - in bold checks, plaids and stripes. The collection uses nothing but 100 per cent hand-loomed cotton from India. There is, of course, the ubiquitous selection of blue and white checks but there are yellows, browns, greens, greys as well as colour combinations. Like most of the more up-to-the-minute ranges, it offers square, buttoned pillowcases as well as the standard oblongs. Stocked by Peter Jones, Liberty and the John Lewis stores, prices start at about £12 for a buttoned Oxford pillow case and £50 for a single duvet cover.

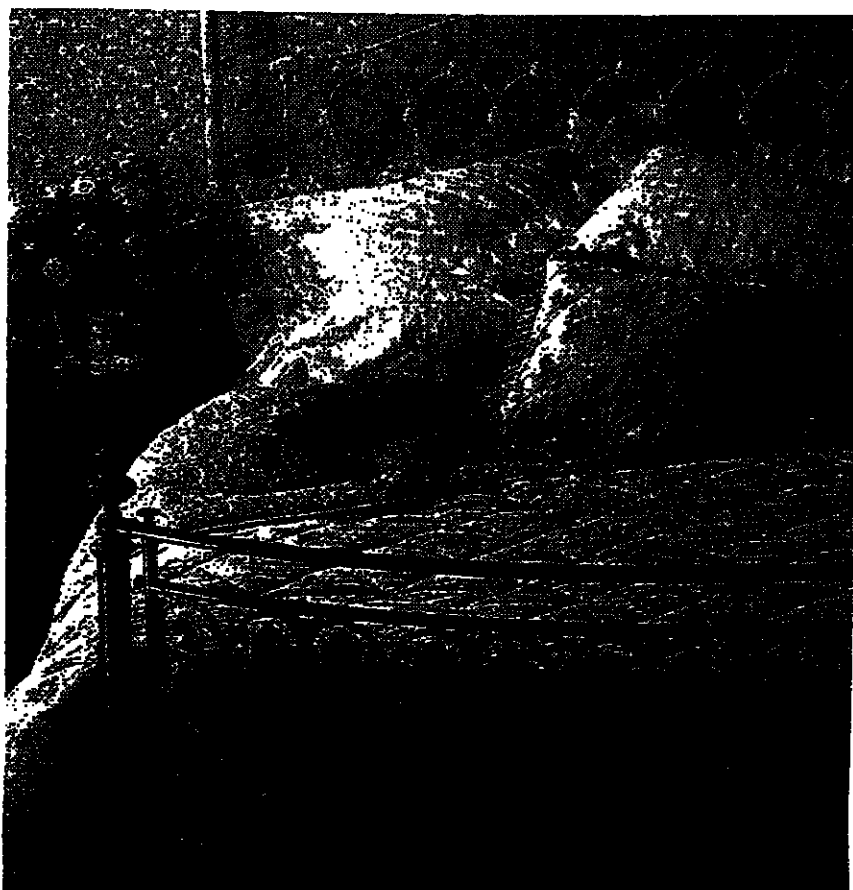
Cologne & Cotton which some readers may remember offers a limited but charming and very affordable range of pure white and checked bed linen started with a single shop in Leamington Spa but it, too, now has a London flagship at 791 Fulham Road, London SW6.

For those looking for the ultimate in duvets I recommend a brand called Brinkhaus. At the top of its range are finest white Hungarian goose down filled duvets, covered in 100 per cent combed Egyptian cotton batiste, each cover stitched in small squares to keep the filling evenly spread. These do not come cheap - the largest size, 260cms by 220cms is £680 but it does have a very high 12.5 tog rating (a tog is the industry measurement for warmth).

Those who have found duvets impossibly hot this summer might like to know that Brinkhaus does a lightweight summer silk and cotton covered version (6.5 tog rating and the cover is again stitched into small squares) at £210 for the largest size. The Brinkhaus range can be found at Harrods, John Lewis, and House of Fraser stores.

The free brochure showing the full range is available from The French Linen Company, Unit 7, The Vale Industrial Centre, Southern Road, Aylesbury, Buckinghamshire HP19 3EW.

■ *The Book of Fine Linen*, published originally by Flammarion, is distributed in the UK by Thames & Hudson. 208 pages, £30.



Tulle de Joux bedspread and cushion in cream and coral by Damask



You can tell a good hotel by the quality of its linen - this photograph of the linen room in Les Prés d'Eugénie, a hotel in the French resort of Eugénie-les-Bains is taken from *The Book of Fine Linen*.

Forever in fashion

Styles change but fiancés still give diamonds, says Lucia van der Post

It is nice to know that the ancient rite of the engagement ring, that abiding token that He gives to Her when his intentions are honourable, is still going strong. According to de Beers 96 per cent of brides receive an engagement ring of

some sort. (What, I wonder, happens to the other 4 per cent and are their marriages any the worse for all that?)

Of that 96 per cent, de Beers reports that more than three quarters include a diamond.

Of course the matter of getting engaged these days is not

approached with the same solemnity as it was in times gone by. E.F. Cushing summed up the prevailing attitudes of the day in an essay he wrote in 1926 on Culture and Good Manners in the US. "An engagement ring is a matter for serious thought on the part of the young man. The best that his pocket can afford is what he desires and a ring that will please his fiancée's taste is even more important. Either by asking her directly or from someone who knows her preferences he finds out her desire and tries in every way to fulfil it. The solitaire diamond as large and perfect as he could afford has for many years been the standard engagement ring."

The days when Richard Burton gave Elizabeth Taylor the 33 carat emerald-cut Krupp diamond ("I've never been so left-handed in my life," declared la Taylor) seem to belong to a vanished world but nevertheless those who can afford it still seem to like their diamonds large.

Claudia Schiffer, one of the jet-set breed of so-called super models is sporting a flawless five carat brilliant-cut diamond designed by Bulgari bought for her by her fiancé, magician

David Copperfield. When David Bowie married Iman he gave her a wonderful canary yellow emerald-cut diamond with two white triangular diamonds either side. Cindy Crawford has a diamond-set gold band from Richard Gere.

Among the bright young things, the fad ring is Cartier's Ellipse - a thick yellow 18 carat gold band. It costs £995 when set with semi-precious stones and £21,200 when set with a 1.5 carat solitaire diamond. When the engagement follows its proscribed course and ends at the altar, then a plain thick yellow wedding ring can be added to make a matching pair.

On average, British men are really rather mean. The average price paid is about £350. De Beers suggests that a young man these days ought to think in terms of spending about a month's salary (in Japan the average is about three months salary and in America two months) - after all think what a girl spends on a wedding dress which she wears merely for half a day whereas the ring is meant to last forever.

A collection of 60 diamond rings by some of Britain's best designers, ranging in price from £35 to £5,000 is on dis-



Cartier's Ellipse in 18 carat gold: £995 to £21,200 depending on the stone



Platinum ring by Paul Spurgeon, £1,500 depending on the diamond

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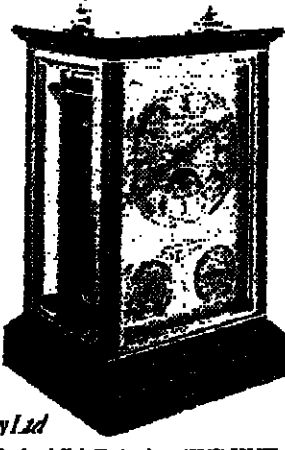
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The really tricky thing is what do you do when love turns sour. For those who mind about correct behaviour the rule is: if He breaks it off, She gets to keep it. If She breaks it off, then strictly speaking she should return it. But you could, I suppose, always follow the advice of the inimitable Zsa Zsa Gabor. When asked by a friend whose engagement had been broken off if she should return the ring, she replied "by all means give back the ring - just make sure you keep the diamond".

■ *Diamond Engagement Ring Collection* is on at Jess James until September 22. It moves to Hamilton & Inches in Edinburgh from September 23 to October 3 then to Manchester, Liverpool, Newcastle, Chester, Bedford, Aberdeen, Lichfield, Blackpool, Bath and back to London.

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FOOD AND DRINK

Vegetarian food 'terrorism'

A couple of years ago I received a copy of a letter sent out to secondary school teachers by the Vegetarian Society. Its aim was to encourage teachers to get their pupils to give up meat.

It struck me as being particularly pernicious; an attempt to set children against their parents. I do not doubt that similar letters have been sent to primary school teachers, who exercise considerable power when it comes to the infantile mind.

Beside me is a pile of recently published books on vegetarian food. Two of the authors abandoned meat-eating in infancy. Rose Elliot (*The Classic Vegetarian Cookbook*, Dorling Kindersley, £14.99) saw her mother manhandle a fish when she was three, and never ate meat again. Peter Cox (*Encyclopedia of Vegetarian Living*, Bloomsbury £16.99) stopped at two.

It is hardly a sign of precocity to hate meat as a child: "I don't like that mummy," is what they generally say. Left to their own devices children would subsist on sweets

and crisps. Nor are they fond of greens. Even vegetarian parents are reduced to ruses to get their children to eat vegetables. Carnivorous parents do the same with meat.

For Peter Cox vegetarianism has all the appearance of a particularly austere religious order. This self-abnegation is one of its least attractive characteristics - along with the sanctimonious tone adopted by some of its converts.

Austere men are often dangerous: Cromwell, Robespierre, Mussolini and Hitler, for example. The first two derived no joy from food, the last two were vegetarians. Hitler's vegetarianism is supposed to have been influenced by his fondness for animals. "The only two creatures who have remained loyal to me," he sobbed in the bunker, "are Eva Braun and my (Austrian) bitch Blondi." That didn't prevent him

from trying out the cyanide first on Blondi before using it on Eva and himself.

Cox and Hitler share a trait: they both believe the future belongs to vegetarians. "I have news for meat-eaters," Hitler told his tablemates, "in the future everyone will be vegetarian."

Cox is ready for this ugly comparison. He cites a number of vegetarian authors who deny Hitler's membership of the order. Hitler is supposed to have expressed a fondness for Bavarian sausages. This proves little: Hitler always said his favourite composer was Wagner, when in reality it was the Hungarian Lehar. He had to tend to his Germanic image and few Germans, then or now, would have understood a hater of sausages. Cox then cites a passage of Oswald Spengler and "rests his case". But Spengler hated the Nazis and wanted nothing to do with them.

Cox agrees that vegetarianism is not a western tradition. There are plenty of vegetarian cultures around the world. I ate a Jain meal in India and positively enjoyed south Indian vegetarian food. But

Giles MacDonogh, a committed carnivore, leafs through some veggie cookbooks

here in the west we neither worship nor despise animals, we simply eat them. Indeed, I wondered whether Cox loves animals as much as he says given his desire to turn cats and dogs into vegetarians. What vegetarians have failed to do so far is convincingly to adapt

vegetarianism to the western tradition; to create a viable gastronomy. Rose Elliot might propose a *gratin dauphinois*, but for a Frenchman this is a dish requiring some slivers of rare lamb. It is not a meal in itself.

For Judith Wills (*Shim and Healthy Vegetarian*, Conran Octopus, £16.99) vegetarianism is a means to an end: slenderness. By slim she means more attractive. But giving up meat for vanity's sake is a double-edged sword: you become more attractive only to other vegetarians. It is pretty hard to tuck into a piece of meat with a vegetarian; it is a bit like having a drink with a teetotaler, or lighting up in front of a reformed smoker.

Both Christine McFadden (*New Vegetarian Food*, Salamander, £12.99) and Annie Bell (*Evergreen*, Bantam, £16.99) are refreshingly unwilling to proselytise, and the

latter laudably tells us that vegetarian food should be "fresh, sensual and alive... Being a vegetarian should not automatically mean a denial of pleasurable foods, or an acceptance of unpalatable ones."

Sadly neither author gives us much to chew on; and Christine McFadden's language is unpalatable. For her "minted", "parsleyed" and "herbed" are adjectives; and she confuses the adjective "roast" with the past participle of the verb to roast: "roasted".

Annie Somerville (*Fields of Greens*, Bantam, £17.99) reminds us that Californian vegetarianism is still inspired by the flower-power Buddhism of the 1960s.

Which leaves the food terrorist Peter Cox. Not for nothing are his initials PC: vegetarianism is "the world's healthiest, kindest and most environmentally-sound lifestyle". Cox looks forward to the

day when "animal exploitation and slaughter are as obsolete as sending children up chimneys".

We meat-eaters have little to commend us: obese and unhealthy; cruel and insensitive. Even our excrement smells nastier than vegetarian excrement. In Cox's view of history Adam and Eve only began to eat meat once they had left Paradise. He forgets they were expelled for eating an apple.

You might look for a long time to find anything appetising in the pages of Cox. This is not a book about pleasure, nor does he care for the freedom of the individual to choose his own way. He tilts directly at one of our great claims to civilisation: the western table and the way it has evolved over the past 300 years.

Cox suggests that as good primates we are not natural meat-eaters. But we are not good primates, else we would still be living in trees. We are sophisticated animals in both the good and the bad sense of the word. Western man lives to eat. Refreshingly few of us are reduced to eating to live.

Great British Eating
Catching up with Europe

When in Stonehenge try the rock cakes, says Nicholas Lander

Anyone visiting Britain after an interval of even a few years cannot help but notice the marked change in attitudes to food: supermarket shelves filled with bottles of virgin cold-pressed olive oil and pots of own-label *crème fraîche*; food and cookery programmes on every television channel and young British born and trained chefs at the stoves of brasseries, restaurants and hotels.

In all of this the UK is finally catching up with the rest of Europe and it, gastronomically, Britain is not quite the equal of France or Italy yet, the rate of improvement is marked.

But the range of locations in which good food can be bought is now perhaps even more striking than the quality of the meals. In the last 20 years many castles, stately homes, lighthouses, churches, chapels and coach houses have been adapted to serve food to the public.

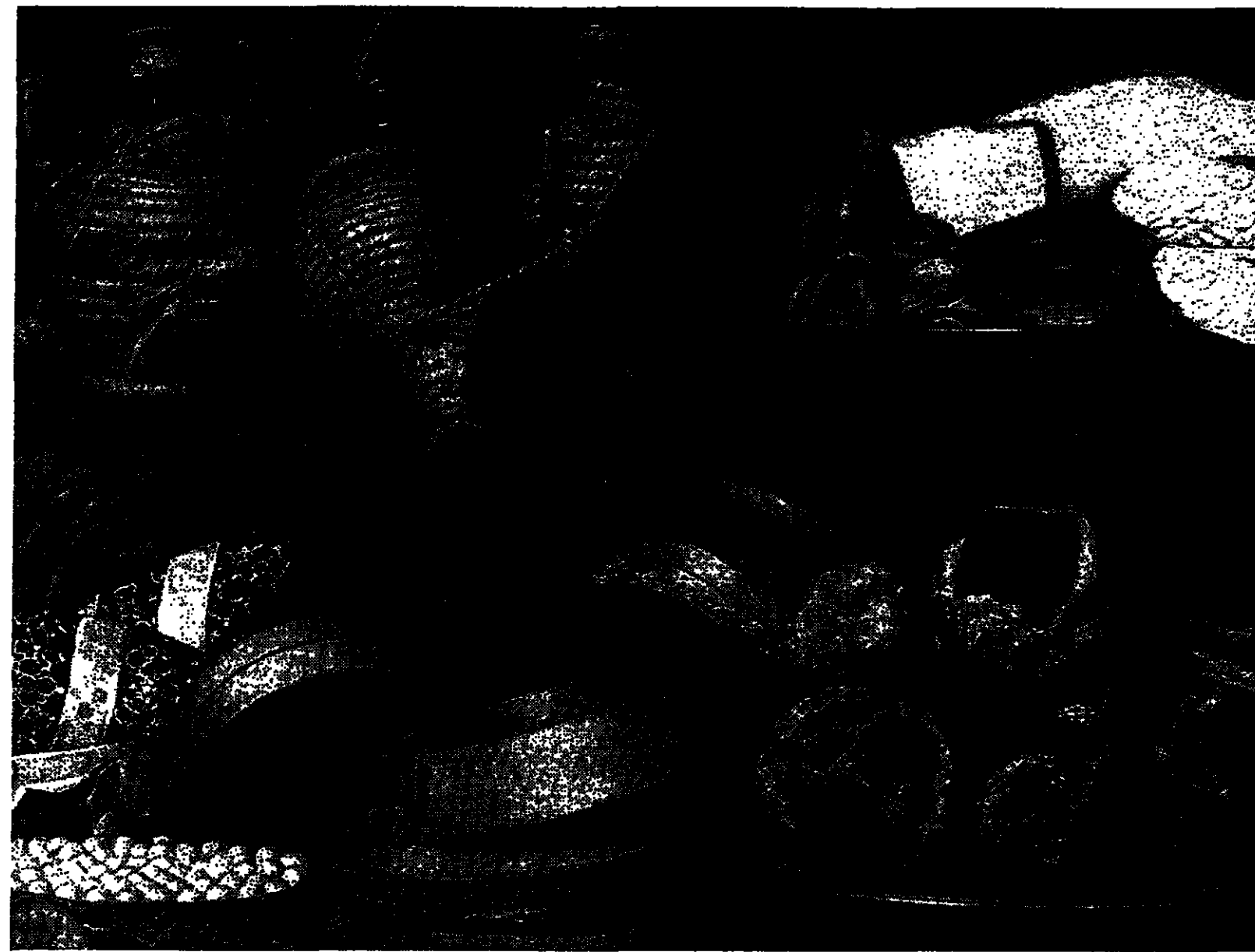
There are several reasons for this. Imaginative caterers such as Michael Milburn, Justin de Blank and Johnathan Silver saw the potential of these locations. At the same time, the owners and governing bodies of the sites, such as the National Trust, English Heritage or the Church of England needed to generate extra revenue.

Caterers and site owners were helped by the growing realisation that good food does not mean complicated cooking. It can be simple, using local ingredients, thoughtfully prepared and courteously served. This approach has helped to reduce many of the logistical problems that confront caterers in these locations, particularly in old buildings.

Thirty-six such venues - good examples of how this type of catering has developed in Britain - are listed in a leaflet entitled "Eat at Cathedrals & Churches" compiled by Lesley Bridge, catering manager at St Albans Abbey, Hertfordshire, AL1 1BY. (The leaflet is free but please enclose a stamped, addressed envelope - it is also available from any British Tourist Authority office.)

Bridge took on this role 12 years ago when the abbey's governing body decided to try to re-establish the role of host and provider which the monks used to fulfil in days gone by.

This has proved such a success that by last year catering, book and gift shops earned £30,000 for the abbey, a quarter of its annual income. The leaflet highlights the wide range of food on offer. For example, in London, Pizza Express operates in Southwark Cathedral's chapter house (071-378 6448) and Bill Sewell's



A 17th century Spanish painted sign for a confectioner taken from Sara Paston-Williams's 'The Art of Dining' (£28.95) published by the National Trust and available from its shops

vegetarian restaurants are at The Place Below, St Mary-Le-Bow, EC2 (071-329 0789) and the Saint Marylebone Café (071-835 6374). At one of the few locations open in the capital in the evening, there is live music in the Café in the Crypt at St Martin-in-the-Fields, WC2 (071-839 4342) on Wednesday, Thursday and Saturday evenings. Gloucester Cathedral, in contrast, offers medieval rooms for private parties while in Hereford Cathedral you can eat in a 13th century bishop's cloister.

Catering has become a significant source of income for the

National Trust and English Heritage. Last year the National Trust's catering division contributed £1.5m on turnover of £1m. Catering concessions at English Heritage earned almost £200,000.

I recently spent a morning in one of English Heritage's busiest catering operations, The Stonehenge Kitchen. This is situated in a bunker-like 32 sq m kitchen in the underpass that leads to the standing stones on Salisbury Plain. The site receives 700,000 visitors a year and is home to that most unusual confectionery, the Megalithic Rock Cake.

I came away full of admiration for the staff - not so much for their culinary prowess as for their eagerness to look after and please their visitors, and their unabashed pride in their famous landmark.

More significant was the realisation that in rural areas such as Wiltshire, catering is one of the few industries capable of offering new job opportunities. When plans for the site by Jocelyn Stevens, chairman of English Heritage, are implemented, the restaurant at Stonehenge will be on one of the most remarkable sites in the world.

Great British Eating sites

ENGLISH HERITAGE

Peversey Castle Cottage Tea Rooms & Restaurant, near Eastbourne, Sussex. The Brew House at the Iveagh Bequest, Kenwood House, Hampstead, London. The Coach House Café at Marble Hall house and park, Twickenham, Middlesex. The Tea Room at Audley End house, near Saffron Walden, Cambridgeshire. Osborne House, Cowes, Isle of Wight.

NATIONAL TRUST

Hardwick Hall, Doe Lea, Chesterfield, Derbyshire. Souter lighthouse, Whitburn, Sunderland, Tyne & Wear. Wordsworth House, Cockermouth, Cumbria. Sissinghurst Garden, Sissinghurst, Kent. St Michael's Mount, Marazion, near Penzance, Cornwall.

Appetisers
Rail strike blues

Having experienced a better first half of the year than anticipated - and most restaurants are born optimists - the London trade suffered in July and August. Hot weather meant many people stayed out of town and conditions were further damaged by the rail strike, which is still hurting trade.

At the top end of the market, business is good with overseas visitors appreciating both British chefs and the weak pound. One leading chef told me that his restaurant was booked for dinner for the next three weeks and he was, unfortunately, having to turn away 50 to 60 customers a day.

The competition increases with some new openings in the capital: the Gaucho Grill for Argentine-sized steaks in Swallow Street, W1 (071-734 4040) and the more intimate Delicious Bine, a bar with a restaurant attached in Beak Street, W1 (071-257 1840). The Establishment has now opened at No 1 Gloucester Road, SW7 (071-589 7969) and Avenue West Eleven at 157 Notting Hill Gate, W11 (071-321 8144). Two Soho restaurants have opened branches in the City: The French House team has opened St John, at 26 St John Street, EC1 (071-251 0848) and Gopal's has a second branch at 88 Great Eastern Street, EC2 (071-729 4218).

Nicholas Lander.

A week-long Belgian food festival begins on Monday to coincide with the 50th anniversary of the liberation of Brussels. Prince Philippe of Belgium will be in town to give a prize to beer writer Michael Jackson, and beer will form the centrepiece of the Harvey Nichols' Belgian promotion. Lambic and gueuze beers, fruit and abbey beers and Belgian white beers will be on sale.

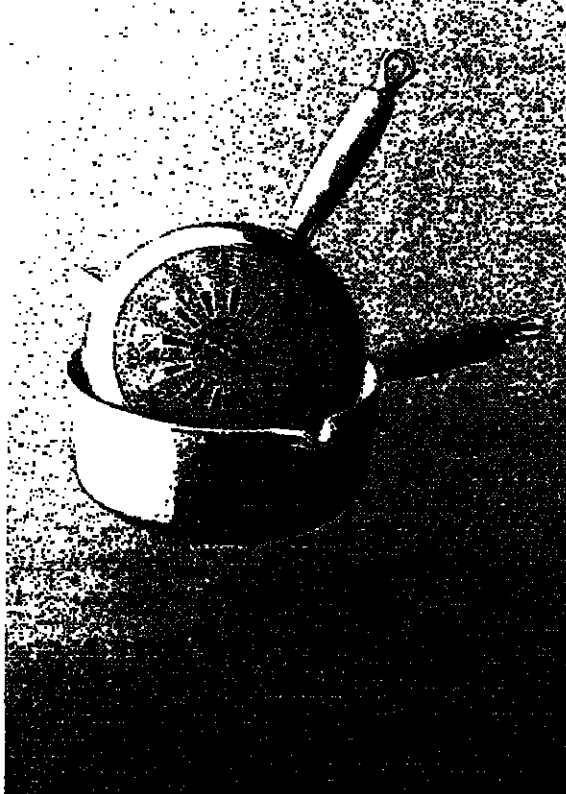
The following London restaurants will also be offering Belgian beers: Argyl (SW9), Avenue West Eleven (W11), Black Bull (SW10), Brasserie du Marche (W10), Calico (SW18), Ciao (SW6), The Depot (SW14), Freds (W1), Green Park Hotel (W1), Green Street (W1), Grog Blossom (shop, NW3), Harvey Nichols (SW1), The Oriel (SW3), Po Na Na (NW3), Rodin (SW1), Le Shop (SW3), The Union (W1).

Biggles in west London is a traditional English sausage maker making sausages in natural casings containing at least 85 per cent meat. Recommended is the delicately herby Marylebone sausage.

Biggles also makes foreign-style sausages: Toulouse, Pargoud, bratwurst, Kielbasa, merguez and bouillabaisse. Biggles: 66 Marylebone Lane, W1. Tel: 071-224 5837.

GMCD

A dish that doesn't scratch ceramic hobs. (What a bunch of smoothies we French are.)



Wine/Jancis Robinson

Sicilian sizzlers to sample

Sicily, with its delightfully obvious and unbridled reminders of Greek, Roman, Moorish, Norman and Spanish invasions, is so bewitching that it even managed to bewitch this determinedly greedy traveller at a time when it had practically no wine of interest and a cuisine in complete thrall to the tomato.

In the mid-1980s I spent 10 days on the island before finding a memorable bottle, an early vintage of Regaleali's most serious red, Rosso del Conte, a deep, dark, essence with such a dangerously high alcohol level it should not have been allowed in the businessmen's lunch place in which we finally tracked down some interesting food and wine.

The island has in recent times turned its back on its classical reputation as a wine producer and has instead made much of its distance from Brussels. For many years the noble and historic wine of Marsala, once the island's pride, has been ignored at the expense of playing the lucrative European game of subsidies and grants.

In the 1980s the island was frequently producing about 4 per cent of the world's entire wine production, but as demand for French basic *vins de table* has plummeted, so has demand for Sicilian wine to strengthen it.

Things seem to be looking



Sicilian vineyard workers: the island is producing some encouraging bottlings

Anthony Blake Photo Library

up, however, to judge from a recent sampling of some of the island's best bottlings and experimental wine styles.

My old friends at Regaleali seem to have done a bit of comparative tasting in the intervening years and have consequently tamed the beast. Their Rosso del Conte 1989 blend of Nero d'Avola and Perricone grapes is no less intense but considerably less of an assault now that it is matured in new oak rather than traditional chestnut casks. Its stated alcohol content, 13.5 per cent, still makes it an unsuitable prelude to an important business decision, but its savoury, concentrated character well qualify it to celebrate one.

Valvona & Crolla of Edin-

burgh stock this famous Sicilian red at £10.89 a bottle, while its white counterpart, Nozze d'Oro 1992 is £9.99 and should also be available at W.T. Palmer of Oxford.

Nozze d'Oro's label sports a family photograph of the happy couple, Giuseppe and Franca Tasca d'Almerita, celebrating their golden wedding on the label and is a seriously interesting, discreetly oak-aged blend of Sicily's Inzolia grape with a local specialty, Tasca, grown at the high altitudes which keep the island's best grapes lively.

A range of experimental wines made at the government's experimental Cantina di Microvinificazione just outside Palermo provided further

evidence that Inzolia (sometimes called Ansonica) is one of the island's under-realised treasures. It is full, nutty and characterful, can obviously withstand oak ageing, and the island's winemakers have more than 30,000 acres of it to play with.

Catarratto, another white grape, is Sicily's most planted grape variety by far, and is the chief ingredient in the prettily packaged Terre di Ginestra. The 1993 is still gently floral and has some nice fruit in the middle but seems more rapid than some of its predecessors.

Nero d'Avola is clearly a great red wine resource for the island, bringing depth, concentration and longevity to many a blend. A much less expensive

way to taste its handsome influence than the Count's heavy red, is Safeway's exclusive Nero d'Avola-dominated blend at just £3.55. This *vino da tavola* started off life on the Safeway shelf somewhat mysteriously called Don Giovanni, 1991. The next shipment will be called simply Casa di Giovanni. Decanting is recommended.

But the two most encouraging wines in the recent tasting, as is so often the case, are not in commercial distribution. A cask-aged wine made from last year's Nerello Mascalese grapes by producers Castiglione was charmingly sprightly in much the same way as a flirtatious young red burgundy, while a Moscato di Noto, a wine type on the verge of extinction like so many of the island's once-famous sweet wines, showed that Sicily could easily seize the Muscat de Beaumes-de-Venise market. Time for another tour of Agrigento and Ragusa.

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REGIONS

TV SCHEDULES AS LONDON EXCEPT AT THE FOLLOWING THEATRES:

ANGLO
12.30 *Bodyguard*, 12.55 *News*, 1.10 *The Captain's Daughter*, 1.30 *First Drowning* (repeats), 3.45 *News Among Thieves*, (TVM 1937) 5.30 *Halfpoint*, 6.00 *News on Sunday*, 10.40 *Weather*, 11.45 *Street*

CELESTIAL
12.30 *Newsweek*, 12.55 *News*, 1.10 *Packport*, 1.30 *Wondering Time*, 2.00 *A Tribute to Billy Wilder*, 2.30 *News*, 2.55 *News*, 3.00 *Sootyport*, 3.15 *The Drowning Instructions*, 6.15 *News*, 6.30 *Dr Quinn: Medicine Woman*, 11.45 *Person*: *Cliff Bock* H

DISNEY
10.00 *Disneyland* *Gairdaches*, 11.45 *Splored*, 12.30 *Gardner's Diary*, 12.55 *Headlines*, 1.10 *News*, 1.30 *News*, 2.00 *Sootyport*, 3.15 *The Drowning Instructions* *Elv Show*, 5.45 *The Tasks of a Doctor*, (1975) 5.15 *Pick a Number*, 5.45 *Movies*, 6.00 *News*, 6.15 *News*, 6.30 *Weather*, 11.45 *Person*: *Cliff Bock* H

FRAMADAY
12.30 *Gardner's Diary*, 12.55 *News*, 1.10 *Shurtland*, 1.30 *Hot Wheels*, 2.30 *The Great Escape*, 3.00 *News*, 3.15 *Dr Quinn: Medicine Woman*, 6.15 *News*, 6.30 *Coronation Street*, 11.45 *Festival: The Last*

TV: 12:25 The Latest Hobo. 12:55 News. 1.10 Highway to Heaven. 2:50 United Edition. 3:30 Survival. 3:50 The 1970s. 4:00 The 1970s on Cable. 1950-51. 4:30 Country Watch. 5:45 Up Front. 6:15 News. 10:40 Western. 11:45 Prisoner. Call Black H.

WEDNESDAY: 12:25 The Latest Hobo. 12:55 News. 1.10 Highway to Heaven. 2:50 United Edition. 3:30 Survival. 3:50 The 1970s. 4:00 The 1970s on Cable. 1950-51. 4:30 Country Watch. 5:45 Up Front. 6:15 News. 10:40 Western. 11:45 Prisoner. Call Black H.

THURSDAY: 12:25 The Latest Hobo. 12:55 News. 1.10 Highway to Heaven. 2:50 United Edition. 3:30 Survival. 3:50 The 1970s. 4:00 The 1970s on Cable. 1950-51. 4:30 Country Watch. 5:45 Up Front. 6:15 News. 10:40 Western. 11:45 Prisoner. Call Black H.

FRIDAY: 12:25 The Latest Hobo. 12:55 News. 1.10 Highway to Heaven. 2:50 United Edition. 3:30 Survival. 3:50 The 1970s. 4:00 The 1970s on Cable. 1950-51. 4:30 Country Watch. 5:45 Up Front. 6:15 News. 10:40 Western. 11:45 Prisoner. Call Black H.

SATURDAY: 12:25 The Latest Hobo. 12:55 News. 1.10 Highway to Heaven. 2:50 United Edition. 3:30 Survival. 3:50 The 1970s. 4:00 The 1970s on Cable. 1950-51. 4:30 Country Watch. 5:45 Up Front. 6:15 News. 10:40 Western. 11:45 Prisoner. Call Black H.

SUNDAY: 12:25 The Latest Hobo. 12:55 News. 1.10 Highway to Heaven. 2:50 United Edition. 3:30 Survival. 3:50 The 1970s. 4:00 The 1970s on Cable. 1950-51. 4:30 Country Watch. 5:45 Up Front. 6:15 News. 10:40 Western. 11:45 Prisoner. Call Black H.

SUNDAY

From Our Own Correspondent:
3.00 Write On, 8.00 World
News, 6.00 World News of Faith,
9.15 The Greenfield Collection,
10.00 World News and
Business Review, 10.15 Short
Story, 10.30 Folk Songs, 10.45
Summary, Round-up, 11.00 News
Summary; Science in Action
11.30 BBC English, 11.45
News and Review, Review in
German, 12.00 News Review,
12.30 Play of the Week, 2.00
Newshour, 3.00 News
Summary, Daughters of
Arabian, 3.30 Amazing, 4.00
World News, 4.15 BBC
English, 4.30 News and
features in German, 4.50 World
and British News, 5.00 BBC
English, 6.00 World News and
Business Review, 6.15 Health
Matters, 6.30 News and
features in German, 6.45
South of South Africa, 6.50
Europe Today, 8.00 World
News, 8.00 World News of Faith,
8.15 Blues World, 8.30 Brain of
Butler, 8.00 News Review, 9.00
World News and Business
Review, 11.15 Short Story,
11.30 Letter from America,
11.45 Sports Review, 12.00
Newstead, 12.30 Daughters of
Arabian, 1.00 World and
British News, 1.15 Mind
Matters, 1.30 News in Review,
2.00 News Summary,
2.30 Madmen: Truth or Dare? 2.45
March of the Women, 3.00
Newstead, 3.30 Composer of
the World, 4.00 News,
4.30 BBC English, 4.45
Fruhrgesetz.

My forecast: A hand by *Leonard Baruch*

BRIDGE

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Alexander Downer is about to lose his job. No, I had not heard of him either, but apparently Downer, 42, is the leader of Australia's opposition Liberal Party. Downer has held down this job for only four months, so one might be forgiven for wondering what this Tony Blair of the antipodes had done to deserve such treatment. The answer is: he has made one joke too many, in public.

According to the *Daily Telegraph* "he has made a series of gaffes since becoming leader, affronting women's and civil rights groups, Aborigines and homosexuals..."

"The most damaging incident occurred last week when he outlined to guests at a fund-raising dinner his Liberal party's new pol-

The last laugh for the honest joker

Dominic Lawson says politicians are so afraid of offending that they no longer dare tell the truth

icy document called 'The Things That Matter'. Attempting some light-hearted banter, he caused outrage by describing the party's policy on domestic violence as 'the things that matter'.

Not the best joke I have ever heard, but is it such an excruciating pun that the man responsible should be sacked? Alas, the outrage was not at the quality of Downer's sense of humour, but at the fact that he was prepared to laugh at the over-seriousness of his own party workers, with their portentous pamphlets called 'The Things That Matter'. It is a gloomy day

when a political leader of a right of centre party, in robust Australia, of all places, is deemed unelectable because he is prepared to mock such ghastly totems of political correctness as "women's and civil rights groups, Aborigines and homosexuals".

In the mother country last week our own Jeremy Hanley, having scarcely had time to register that he had become Conservative Party chairman, was being declared unfit for his office because he good-humouredly described some violent yobs as

"exuberant". Like his contemporary, Downer, Hanley's unforgivable crime was levity.

We are in an age when a sense of humour has been designated the eighth deadly sin, at least as far as politicians are concerned. There can be no doubt that Norman Lamont's announcement, two years ago this week, that he was resigning in his bath on the morning after sterling's forced exit from the exchange rate mechanism, was responsible for most of the abuse which the ex-chancellor subsequently received.

The paradoxical truth is that, in

private, politicians tend to have an acerbic, often tasteless, and sometimes genuinely very funny sense of humour. Their cynical and mordant wit makes them good company. And yet they are forced to neuter themselves in public, all for fear of offending one or another of the growing band of one-issue pressure groups.

Blunt telling of home truths is similarly unpalatable, and must be recanted at all costs. Michael Portillo tells some university students that they are living in the least corrupt country in Europe, and is immediately forced to apologise.

William Waldegrave reveals to a House of Commons select committee that governments sometimes lie, and is henceforth considered unsuitable for promotion.

As one politician wryly told me, in modern public discourse "gaffe" is the word used by journalists to describe a politician telling the truth.

I am afraid that journalists must take a large measure of blame for this. They are as cynical a breed as the politicians they write about, but all too often they adopt a tone of outraged

surprise when a government minister blurts out in public the truth which he will have told the same journalists countless times in innumerable briefings. It is as if they regard the public as children, unfit to be exposed to the murky realism which characterises the private discourse of those who write about politics for a living. Yet the extraordinary public success and acclaim for Alan Clark's diaries is clear evidence that the public is capable of appreciating political dialogue stripped bare of euphemism and mock-seriousness.

Clark, you will observe, left political life with neither a postage nor a knighthood. But at least he had fun. As I have had, over the past 3½ years, in writing this column. Good bye, and thank you for reading to the end.

Dominic Lawson is editor of *The Spectator*.

Private View/Christian Tyler

The general who picked up a briefcase

Like so many successful career soldiers, Fidel Ramos is a small man. He was sitting behind an enormous desk in the Hotel de Crillon in Paris this week gently mashing an unlit cigar. "Can I offer you a cigar?" he said. "Thank you - I've given them up."

"I have too. But I have to promote our best export product, you see, and this is one way of eliciting interest," he smiled benignly.

When the head of a turbulent country like the Philippines feels secure enough to take an extended business tour of Europe, things have surely changed.

Ramos is a large part of the reason for that change. A former enforcer for Ferdinand Marcos, his second cousin, he led the "people's power" revolution against the Marcos dictatorship in 1986 and quashed seven attempted coups to protect successor Cory Aquino before running for the presidency himself.

For the last nine days Ramos has been travelling with a large retinue between Rome, Madrid, Paris, Brussels and Frankfurt to confirm his democratic credentials and trumpet his country's newly-acquired stability and economic growth.

Long famous for its poverty, civil turmoil, crony capitalism, foreign indebtedness, tax evasion and bureaucratic corruption, the Philippines is now being hailed as the latest addition to Asia's economic tigers.

Ramos himself is credited with pacifying or neutralising the Communist, Muslim and far-right military rebels. He even claims to have pacified the Catholic Church to which 85 per cent of the 65m Filipinos belong. Church leaders - including the outspoken Cardinal Jaime Sin - attacked his government's birth control programme as an invitation to vice and sexual perversion.

A Methodist who keeps a statue of the Madonna in his office, Ramos on this tour enjoyed a private audience with the Pope. They met at the Vatican was fighting its corner at the UN conference on population control in Cairo, so I asked Ramos if they had discussed family planning and artificial contraception.

"To tell you frankly, the Holy Father and I have been exchanging letters since early May. I pointed out in my letters that in the Philippines the family is considered as the basic social unit, the very key to the survival of the nation."

There was no disagreement on principles, he added. "The freedom of conscience, we say in government, is the basic freedom which we protect. It's up to married couples to determine what kind of life they would like to have for themselves and for their children."

Is the church too powerful?

"It's a matter of opinion, I guess. But if you look at the recent elec-

tions, the Catholic Church, as far as I can see, did not try and impose its collective authority in favour of any candidate or set of candidates."

What are your relations with Cardinal Sin like?

"Very good. I kid him all the time because for the last seven or eight years I have been attending his birthday parties, on his invitation. We both belong to the class of 1928 - we were born the same year."

Ramos's former jobs as head of the feared paramilitary police and national police under Marcos seem to have been forgiven him as he pursues economic success under democratic rule, a rare combination for Asia.

You grew up in an authoritarian regime, I said. How can you satisfy people that you will not one day want to seek more power to drive your programme through?

"I think you must understand that being in the military as a career does not make you a dictator, per se," he said. "We couldn't stand the dictatorship. That's why we got together with the people and Mrs Aquino and many other military professionals to throw out the dictator. The record is there and can speak for itself."

"So what are we guaranteeing to the western investor? A govern-

ment that is very stable, democratic, predictable, transparent, continuous."

They call you "Steady Eddie", I said. Some would say you are going too slowly, too cautiously.

"You have to judge the performance by the result. What is important for me is to start properly. There are some critics who think I should be charging all over the place on a white horse, which is the usual dramatic of Philippine politics. But I am different."

"We have seen how Philippine politics in the traditional pattern have failed. They have not provided for the livelihood of the people. It was basically an oligarchy and there was a mistaken idea that there must be drama, charisma, fire and a lot of special effects taking place, forgetting that you must first put in the fundamentals. And this is what I have done." He cited the end of power cuts as an example.

Ramos has never been accused of flamboyance. But on his birthday he used to enjoy parading into the party - one year he descended with a crate of beer, another with a live goat for the barbecue.

If you are calm and steady, I said, is that due to your military training, your Methodist upbringing?

"No, it's because of me. All of those things impacted on the making of me. But I would give credit to discipline, specially self-discipline. You don't have to go to military school to learn that. But going through an institution like West Point helps." (He won a place at the tough US military academy against 400 of his countrymen.)

"I have also seen the best and the worst in Philippine society, precisely because this was the nature of my military career. As a military man, very early on, I saw that poverty, injustice in the Philippines was not to be solved by military means but by the removal of the root causes."

Ramos, born in Pangasinan in the north of the country, describes his background as middle-class but not wealthy. His father was a reporter who became a congressman, ambassador and foreign secretary. His mother was a public school teacher "very charming, a very effective campaigner who was loved by ordinary people because she knew how

to relate to them". A younger sister, Letty, went into politics before him and is the country's second-ranking senator.

The president and his wife Amelita "Ming" Martinez have five daughters, one of whom, on holiday from Hong Kong, was sitting among the officials in the room as he spoke.

I forebore, therefore, to ask Ramos about the allegation in a Manila newspaper last year - not apparently so far denied - that behind him is a powerful mistress. When I asked a senior aide about it afterwards he smiled ambiguously and said: "Maybe it was a long time ago."

The soldier-president, sometimes likened to General Eisenhower, says he has all his life been affected by

then the terrible natural disasters (the earthquake, followed by the eruption of Mt Pinatubo and a succession of typhoons) convinced me that someone who knew how to do it must take over.

"Another factor you might say that convinced me to go for it was the clamour of people that were with me during the people power revolution who did not see much improvement over the years that followed. They said I must finish the unfinished revolution."

In getting to the top were you lucky or clever?

"It's not because of religion, or schooling," he repeated. "I am saying it's because of me. That's the way I was made."

When I asked him what he read he mentioned Alvin Toffler, Paul Kennedy, and John Naisbitt of "Megatrends" fame.

"I do read a lot and I write a lot, in the sense of writing my own stuff for speeches for instance. I'm happy to give you some samples later on." He held up some notes.

My time was up, but President Ramos allowed one more question. So I mentioned the thousands of Filipino women who do menial work in Europe and the Middle East, often to support children they have left behind, and often exploited in the process.

Are their remittances a welcome feature of the economy, I asked, or is their presence an embarrassment to you?

"No, we are just practical about this. The jobs are here but we are generating jobs now in the Philippines so that we can keep many of our nationals at home. But this will take time," Ramos pointed to the doubling, to more than 5 per cent, of GNP growth in the first half of this year. "We are optimistic that the creation of jobs will happen."

I got up to leave and the president, who had been busily writing in a book, handed the volume to me across the wide desk. "You might find this interesting, too," he said. It was a colour magazine with a picture of a man scuba diving among wrecks.

When I got outside among the throng of protocol and security men, the smiling attaché pointed to the caption. The scuba diver was unflamboyant Steady Eddie himself.



Christopher Doherty

A song for yobs and nobbs

Peter Aspden on why 'Land of Hope and Glory' makes him uneasy

Listening to "Land of Hope and Glory" always makes me fidget in my seat, not least because of the withering looks all around me which suggest I should be standing. It is not a sign of disrespect, more a sense of unease over the sentiments being unleashed, and their appropriateness to the occasion.

The two versions I heard recently, both celebrating very diverse aspects of nationhood, were rousing testimonials to the real joy many people experience singing this powerful anthem: but I could not help wondering if the two groups were actually divided by a common call to exaltation.

The first was at Wembley Stadium last week where, as has been the practice for a few years now, Elgar's march was blasted out by the orchestra as the two teams came on to the pitch.

The unashamed point of the exercise is to provoke the crowd into vociferous vocal support for the home team, to intimidate the opposition, to swell the roar of those three lions on the shirts of what sometimes look like some very young, skinny lads.

Nothing wrong here at all; sport is regarded as a legitimate and secure arena for such feelings. It thrives on adrenalin, theatricality and violence of passion. And last

week's opponents, the United States, after their improbably pro-person summer, are not unfamiliar with intensity of feeling and big-crowd psychology.

The reservations surface a few moments later, when, as always happens, the opposition's national anthem is played. Not that anyone can hear it very clearly; for the crowd, now surging into a higher

and unduly poisoned my judgment. In fact, the Royal Albert Hall, awash with flags of many nations, seemed a genuinely joyful place to be.

My anxieties were allayed completely when Bryn Terfel stepped up to lead "Rule Britannia", bursting with Welsh pride (no need to do any swelling here) but tempering the proceedings with a tightly clutched rugby ball and flag stick-

vulgar inanities of a yob culture and the cleverly modulated coolness of a nob culture? They are, it should be remembered, singing the same song.

On a freezing mid-winter night some years ago, England entertained Cameroon for another friendly match.

It was a few weeks into the Gulf War, and feelings, notwithstanding the bitter cold, were running higher than usual.

As the Cameroon stars of the 1990 World Cup lined up, a clutch of Arsenal fans in front of me struck up a half-hearted chant which soon evaporated into the bleak night: "Saddam is a yidde, Saddam is a yidde..."

The perplexing irrelevance of the chant - one needs a crash course in North London demographics to understand it - is almost funny, were it not for the fact that this pithy slice of "terrace humour" managed, with one bilious brushstroke, to offend at least three religions, two continents and a clutch of squirming liberal-pacifists who just wanted to enjoy the match.

The British are fortunate enough not to be at war at present; but one ought to be more careful than ever with hope and glory. Neither one is in plentiful supply right now, and the crassness of the acts committed in their name belongs to all of us.

'It is a witless display, staining any dignity which the preceding minutes had acquired.'

plane of fervour, drowns it out, by boos, whistles, curses and simple abuse.

It is an ugly, witless display, embarrassing to share (one can never wholly detach oneself from a crowd) and ineffectually staining any dignity which the preceding minutes had acquired.

It was with some trepidation, then, that I watched the climax of the Last Night of the Proms a few days later. Not only another "Land of Hope and Glory", but a "Rule Britannia" and "Jerusalem" to follow: a triple shot of patriotic lust just in case we missed the point.

It made me feel uncomfortable, I admit, but maybe Wembley had

ing out of his back.

Here was patriotism all right, but placed firmly in inverted commas, a bit of a laugh, perfectly pitched for an audience which above all was looking for a good time.

Here, after all, is how the British should handle nationalism, with lashings of irony, glancing backwards but rooted firmly in our present less-than-auspicious circumstances.

Tolerance, wit and self-effacement are not virtues to be underestimated; this surely is the perfect way to celebrate them.

And yet, I continue to feel uneasy. Is it not too complacent to distinguish so easily between the

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